



BENEFUN INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

The Board of Directors (the “Board”) of Benefun International Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2002 together with the comparative figures.

CONDENSED CONSOLIDATED INCOME STATEMENT

(Expressed in Hong Kong dollars)

	<i>Notes</i>	Six months ended 31 December	
		2002 (Unaudited) \$'000	2001 (Unaudited) \$'000
Turnover	2	81,689	68,163
Cost of sales		(48,947)	(48,960)
Gross profit		32,742	19,203
Other revenue		2,803	2,084
Distribution costs		(20,518)	(20,284)
Administrative expenses		(12,435)	(10,713)
Operating profit/(loss)		2,592	(9,710)
Finance costs		(709)	(1,093)
Impairment loss on goodwill		—	(10,798)
Share of loss of an associate		—	(26)
Profit/(loss) from ordinary activities before taxation	3	1,883	(21,627)
Taxation	4	(241)	(228)
Net profit/(loss) attributable to shareholders		<u>1,642</u>	<u>(21,855)</u>
Earnings/(loss) per share	6		
Basic		<u>0.17cents</u>	<u>(2.73) cents</u>
Profit/(loss) attributable to shareholders is analysed as follows:			
By the Company and its subsidiaries		1,642	(21,829)
By an associate		—	(26)
		<u>1,642</u>	<u>(21,855)</u>

Notes:

1. Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the audited financial statements for the year ended 30 June 2002, except as disclosed below.

The following new and revised SSAPs have been adopted for the first time in the preparation of the current period’s unaudited condensed consolidated interim financial statements:

SSAP 1 (Revised)	:	“Presentation of Financial Statements”
SSAP 11 (Revised)	:	“Foreign Currency Translation”
SSAP 15 (Revised)	:	“Cash Flow Statements”
SSAP 25 (Revised)	:	“Interim Financial Reporting”
SSAP 34	:	“Employee Benefits”

SSAP 1 (Revised) “Presentation of Financial Statements” has introduced a new format of presentation in reporting changes in equity. The presentation in the prior period’s condensed financial statements has been restated in order to achieve a consistent presentation.

SSAP 15 (Revised) “Cash Flow Statements” has changed the classifications of cash flows in the cash flow statement and the definition of cash equivalents. The presentation in the prior period’s condensed cash flow statement has been restated in accordance with the new format.

SSAP 34 “Employee Benefits” has introduced a formal framework for the recognition of liabilities and expenses in respect of employee benefits. The adoption of this new accounting standard has not resulted in any material effects on the financial statements of the current or prior period and accordingly, no prior period adjustment is required.

There is no impact to the financial results and the financial position of the Group by the adoption of SSAP 11 (Revised) and SSAP 25 (Revised).

2. Segment information

An analysis of the Group's revenue and results by business segment is not presented as the Group's revenue and results are predominantly derived from manufacturing, retailing and trading of apparel.

An analysis of the Group's revenue and results by geographical segment for the interim period ended 31 December 2002, together with the comparative figures for the corresponding period in 2001, is as follows:

(Unaudited)	Hong Kong		Elsewhere in the PRC		Consolidated	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Segment revenue:						
Sales to external customers	—	482*	81,689	67,681	81,689	68,163
Other revenue	42	129	2,761	1,955	2,803	2,084
Total revenue	<u>42</u>	<u>611</u>	<u>84,450</u>	<u>69,636</u>	<u>84,492</u>	<u>70,247</u>
Segment results	<u>(1,829)</u>	<u>(7,194)</u>	<u>4,394</u>	<u>(2,634)</u>	<u>2,565</u>	<u>(9,828)</u>
Interest income					27	118
Profit/(loss) from operating activities					2,592	(9,710)
Finance costs					(709)	(1,093)
Impairment loss on goodwill					—	(10,798)
Share of loss of an associate					—	(26)
Profit/(loss) before taxation					1,883	(21,627)
Taxation					(241)	(228)
Net profit/(loss) from ordinary activities attributable to shareholders					<u>1,642</u>	<u>(21,855)</u>

* Rental income of \$482,000 was derived from the lease of investment properties for the corresponding six-months ended 31 December 2001.

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

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

	Six months ended 31 December	
	2002 (Unaudited) \$'000	2001 (Unaudited) \$'000
Finance costs:		
Interest on bank advances and other borrowings repayable within five years	709	1,093
Depreciation	<u>5,310</u>	<u>5,422</u>

4. Taxation

Taxation in the condensed consolidated income statement represents:

	Six months ended	
	31 December	
	2002	2001
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Taxation outside Hong Kong	<u>241</u>	<u>228</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the interim period ended 31 December 2002 (2001: Nil).

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

5. Dividends

No interim dividend has been declared in respect of the interim period ended 31 December 2002 (2001: Nil).

6. Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of \$1,642,000 (2001: loss of \$21,855,000) divided by the weighted average of 961,929,000 ordinary shares (2001: 801,929,000 ordinary shares) in issue during the period. Fully diluted figures are not shown as there is no potential dilutive effect for the interim periods ended 31 December 2001 and 2002.

7. Reserves

	Share premium	Foreign exchange			Accumulated losses	Total
		Legal revaluation reserve	Revaluation reserve	Revaluation reserve		
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
At 1 July 2002 (Audited)	115,849	3,090	1,614	35,548	(96,186)	59,915
Transfer between reserves	—	—	—	(1,360)	1,360	—
Exchange difference	—	—	22	—	—	22
Net profit for the period	—	—	—	—	1,642	1,642
At 31 December 2002 (Unaudited)	<u>115,849</u>	<u>3,090</u>	<u>1,636</u>	<u>34,188</u>	<u>(93,184)</u>	<u>61,579</u>

REVIEW OF OPERATION

The consolidated turnover of the Group for the six months ended 31 December 2002 was HK\$81.7 million. This represented an increase of 19.8%, as compared to HK\$68.2 million for the same period last year. The business performance was improved from a net loss of HK\$21.9 million for the same period last year, to a net profit after tax of HK\$1.6 million in the current period.

The Group had consistently focused on apparel consumer market in China. We were committed to strengthening brand awareness and customer acceptability through selling quality and elegant casual wears only at competitive prices. There had been more frequent promotions to position “Fun” brand products sharply. In October 2002, the Group signed an advertising contract for two years with “A-do”, one of the most popular singers in Greater China to promote our “Fun” brand. “A-do” music concerts and video shows with “Fun” presentation were launched nationwide in China.

The Group had been able to achieve higher turnover and profit margin in the period. The proportion of full price sales was higher during the period.

The growth in turnover was also partly fueled by expansion of the export business. Our export business was only a small percentage of the total turnover, but it registered a high percentage growth for the period.

Regarding our retail arm, there were 132 “Fun” shops throughout China at the end of the period. Out of the total, 69 shops were self-operated and 63 shops were operated on franchising basis. Total retail area was 10,800 square meters at the period end.

The Group had participated in certain small-scale property development projects in Zhangzhou, Fujian, China in the period. The project was made subsequent to the Group’s insight on the high demand for comfortable living place in China’s 2nd tier cities.

OUTLOOK

Looking ahead to the 2nd half of the financial year, we expect that the operating environment and consumer sentiment in China will continue to be positive, although the general worldwide economy will remain weak.

The Group is confident in its expertise on apparel merchandise. It will continue to focus on garment business. We are committed to offering quality and lifestyle clothing products to our valued customers. Our retail market will continue to be in China, The promotional campaigns with “A-do” will be one of the major events in the coming year.

The Group is confident that its dedicated staff will contribute to a significant growth momentum and we will finish the financial year with better performance and financial results than the past few years.

FINANCIAL POSITION

The Group maintained a stable net cash position during the period under review. Net cash inflow from operating activities was HK\$9.2 million, compared with a net cash inflow of HK\$2.5 million for the same period last year. Net cash balance at the period end was HK\$27.8 million, compared with a balance of HK\$13.4 million at the same period end last year.

The debt equity ratio as at 31 December 2002 was increased to 0.36, compared with 0.27 as at 30 June 2002.

The Group’s current ratio as at 31 December 2002 was 0.81, compared with 0.84 as at 30 June 2002. The Group’s quick ratio was 0.65 as at 31 December 2002, compared with 0.64 as at 30 June 2002.

EMPLOYEES

As at 31 December 2002, the Group had 1,866 employees of which 1,859 were employed in the PRC for the Group's retailing and manufacturing business.

The Group offers competitive remuneration packages to its employees, and provides benefits such as staff insurance, retirement scheme, discretionary bonus and option scheme, and also provides both in-house and external training programs to strengthen the Group's human resources.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE

A detailed interim results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange") will be published on the Exchange's website in due course.

On behalf of the Board
Tan Sim Chew
Chairman

Hong Kong, 21 March 2003

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