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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

FINANCIAL RESULTS
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 2006 together with the comparative figures for the corresponding period in 2005. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 31 December 2006
(Expressed in Hong Kong dollars)

		Unaudited Six months ended 31 December	
		2006	2005
	Notes	***$'000***	*$'000*
Turnover	*2*	**86,271**	129,302
Cost of sales		**(54,969)**	(81,723)
Gross profit		**31,302**	47,579
Other revenue		**7,431**	6,250
Distribution costs		**(32,016)**	(32,069)
Administrative expenses		**(17,289)**	(14,182)
(Loss)/profit from operations		**(10,572)**	7,578
Finance costs	*3*	**(575)**	(101)
(Loss)/profit before income tax	*3*	**(11,147)**	7,477
Income tax	*4*	**801**	(2,124)
(Loss)/profit for the period and attributable to the equity holders of the Company		**(10,346)**	5,353
(Loss)/earnings per share	*6*		
Basic		**(0.77) cent**	0.40 cent

CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2006
(Expressed in Hong Kong dollars)

	Note	**Unaudited As at 31 December 2006** *$'000*	Audited As at 30 June 2006 *$'000*
Non-current assets			
Property, plant and equipment		**57,511**	59,811
Construction in progress		**1,302**	1,147
Interests in leasehold land held for own use under operating leases		**1,128**	1,176
Deferred tax assets		**49**	52
		59,990	62,186
Current assets			
Inventories		**18,951**	16,193
Trade and other receivables		**65,358**	55,050
Income tax recoverable		**35**	–
Cash and cash equivalents		**11,515**	4,728
		95,859	75,971
Current liabilities			
Trade and other payables		**36,628**	31,006
Income tax payable		**–**	282
Other financial liabilities		**18,905**	–
		55,533	31,288
Net current assets		**40,326**	44,683
Total assets less current liabilities		**100,316**	106,869
Non-current liabilities			
Deferred tax liabilities		**648**	1,539
Other financial liabilities		**5,970**	5,820
		6,618	7,359
Net assets		**93,698**	99,510
Capital and reserves			
Share capital		**13,984**	13,319
Reserves	*7*	**79,714**	86,191
Total equity		**93,698**	99,510

Notes:

1. **Basis of preparation and principal accounting policies**
   These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. ("HKICPA") and Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

   These interim condensed consolidated financial statements should be read in conjunction with the 2005/06 annual financial statements.

   The principal accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2006.

   These interim financial statements have been prepared in accordance with those new Hong Kong Financial Reporting Standards ("HKFRS"), HKAS and Interpretations ("INT") (collectively "new HKFRSs") issued and effective as at the time of preparing these financial statements. The HKFRSs that will be applicable to the annual financial statements for the year ending 30 June 2007, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

2. **Segment information**
   An analysis of the Group's revenue and results by business segments for the six months ended 31 December 2006, together with the comparative figures for the corresponding period in 2005, is as follows:

	Apparel retailing and manufacturing		**Property development**		**Consolidated**	
(Unaudited)	**2006**	2005	**2006**	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment revenue:						
Turnover	**86,271**	124,208	**–**	5,094	**86,271**	129,302
Other revenue	**4,639**	3,565	**–**	–	**4,639**	3,565
Total segment revenue	**90,910**	127,773	**–**	5,094	**90,910**	132,867
Interest income and other unallocated income					**2,792**	2,685
Total revenue					**93,702**	135,552
Segment results	**(13,364)**	4,393	**–**	500	**(13,364)**	4,893
Interest income and other unallocated income					**2,792**	2,685
(Loss)/profit from operations					**(10,572)**	7,578
Finance costs					**(575)**	(101)
(Loss)/profit before income tax					**(11,147)**	7,477
Income tax					**801**	(2,124)
(Loss)/profit for the period					**(10,346)**	5,353

3. (Loss)/profit before income tax

(Loss)/profit before income tax is arrived at after charging/(crediting):

	Unaudited Six months ended 31 December	
	2006	2005
	$'000	*$'000*
Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**575**	101
Amortisation of land lease payments	**48**	46
Depreciation	**4,811**	4,836
Write-down/(Reversal of write-down) of inventories	**744**	(3,708)
Impairment losses of trade and other receivables	**4,029**	836

4. Income tax

Income tax in the condensed consolidated income statement represents:

	Unaudited Six months ended 31 December	
	2006	2005
	$'000	*$'000*
Current tax		
– Income tax outside Hong Kong	**87**	740
Deferred tax		
– reversal and origination of temporary differences	**(888)**	1,384
	(801)	2,124

No provision for Hong Kong profits tax has been made in these interim financial statements (2005: Nil) as companies operating in Hong Kong within the Group have sufficient tax losses for offsetting assessable profits for the period.

Taxation for the Group's operations outside Hong Kong is provided at the applicable prevailing 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 2006 (2005: $Nil).

6. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to shareholders of $10,346,000 (2005: profit of $5,353,000) divided by the weighted average of 1,351,915,000 ordinary shares (2005: 1,331,929,000 ordinary shares) in issue during the period. Diluted figures are not shown as there is no dilutive effect for the interim period ended 31 December 2006 (2005: Nil).

7. **Reserves**

	Unaudited						
	Share premium *$'000*	**Share-based compensation reserve** *$'000*	**Legal reserve** *$'000*	**Foreign exchange revaluation reserve** *$'000*	**Revaluation reserve** *$'000*	**Accumulated losses** *$'000*	**Total** *$'000*
At 1 July 2006,	128,529	1,646	3,090	2,934	19,205	(69,213)	86,191
Shares issued under share option scheme	2,660	–	–	–	–	–	2,660
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	1,209	–	–	1,209
Transfer between reserves	–	–	–	–	(932)	932	–
Loss for the period	–	–	–	–	–	(10,346)	(10,346)
At 31 December 2006	131,189	1,646	3,090	4,143	18,273	(78,627)	79,714

REVIEW OF OPERATION

The turnover of the Group for the six months ended 31 December 2006 was approximately HK$86.3 million, as compared with HK$129.3 million for the corresponding period of last year. The loss attributable to shareholders was HK$10.3 million, as compared with a net profit of $5.4 million in the same period of last year.

In the period under review, the Group continued to focus its apparel retailing business in China. In response to a dynamic yet highly volatile retail environment and in order to boost competitiveness, the Group had continued to revamp and restructure its self-operating and franchising operation. During the period, we closed 25 under-performing self-stores and 16 expiring franchise stores. On the other hand we prudently opened 16 fitting stores and invited 6 high-caliber franchisees to run our innovative "Fun" shops under our new concept.

As at 31 December 2006, the Group operated 216 "Fun" brand stores in China, of which 139 were managed directly by the Group, and 77 were operated on franchise basis.

In the period, the Group established a strong presence in major western and inner cities like Chengdu and Chongqing where an agile fashion market has emerged. We departed ourselves further from the price-weighted mass market, but strengthened our presence in the higher-margin fashion markets. We have gradually located our branded fashion business in trendy department stores and prime-site street stores. In need of transformation for strong long-term development, the Group had streamlined the number of operating shops, and had upgraded pricing policies focusing on more targeted customer groups. Non-fitting and slow-moving merchandise was cleared through granting higher price discounts. Nevertheless these changes had led to a decrease in sales volume and an operating loss for the period.

In response to the high competition encountered, the Group put strong emphasis on brand image and product uniqueness. The Group was dedicated to delivering high quality products composed of unique design, fabric and cutting. Although the business result was behind the expectation during the period, the Group's cumulative effort on enhancing the brand image had attained a higher level of customer acceptability and satisfaction. New pronouncements on fashion concepts, improved merchandise quality, newly renovated shops, trendy merchandise display and cordial customer service had accumulated to more frequent customer patronage and re-visits. The Group is committed to positioning "Fun" brand uniquely and strongly in China. Through this effort, good performance in both turnover and margin in the future years is anticipated.

The development projects in Zhangzhou City of Fujian Province were progressed smoothly according to our plan. The construction of a 22-storey commercial/residential building known as "Singapore Ritz" is at the completion stage. This premises has a gross floor area of approximately 15,800 square meters and will be ready for sale in mid 2007. The property development projects will generate additional revenue to the Group.

PROSPECT

The GDP growth in China is strong and solid. This momentum of rapid development will continue in the next few years. The Group is optimistic that both the retailing environment and customer sentiment in China will remain positive during this growth period.

The apparel market in China undergoes leaping expansion. The market size is tremendously large, although the competition in the industry is fierce. The Group is diligent in its efforts to achieve higher turnover and margin through enhancement of its brand value and focused penetration to the selected niche cities and location. We are transforming our brand positioning to a higher end market where trend-right and quality-right products dominate against price. Our strengthened marketing policies backed up by unique product and pricing strategies will enable us to expand our market share and secure a fruitful margin in the near future.

The demand for street stores and small-to medium-sized apartments in China's second-tier cities like Zhangzhou is very strong. The 22-storey "Singapore Ritz" will be completed and ready for sale later this year. The Group will then commence its new property project with a portion of land that has a ground area of 26,428 square meters by three phases upon receipt of government permits. We will build up our land reserve through acquisition of land in regions besides Zhangzhou. The Group is confident that the property development business will generate substantial additional revenue in the near future.

LIQUIDITY AND FINANCIAL RESOURCES

The gross profit percentage of sales in self-operated stores was approximately 38%, while that of sales to franchise stores was 30%.

Inventory level under apparel manufacturing segment was maintained at HK$10.4 million as at 31 December 2006. Average stock turnover for the period was kept at 1.0 months.

Net cash outflow from operating activities was HK$13.1 million, compared with a net cash outflow of HK$7.7 million for the same period last year. The bank loan balance at 31 December 2006 was HK$24.9 million, compared with a balance of HK$5.8 million outstanding at 30 June 2006. Cash balance at the period end was HK$11.5 million, compared with a balance of HK$4.7 million at 30 June 2006.

The Group derives its revenue and incurs its expenditure mainly in the same currency. Its exposure to currency exchange rate fluctuation is therefore not significant.

Capital commitment contracted but not provided for in the financial statements at 31 December 2006 was approximately HK$39.6 million (at 30 June 2006: HK$40.0 million).

The debt equity ratio at 31 December 2006 was 0.27, compared with 0.06 at 30 June 2006.

The Group's current ratio at 31 December 2006 was 1.73, as compared with 2.43 at 30 June 2006. Quick ratio was 1.38, as compared with 1.91 at 30 June 2006.

HUMAN RESOURCES

At 31 December 2006, the Group had 2,171 employees of which 2,163 were employed in the PRC for the Group's retailing and manufacturing business.

The Group offers competitive remuneration packages to its employees, such as staff insurance, retirement scheme, discretionary bonus and option scheme, and provides both in-house and external relevant training programs to strengthen the Group's human resources and keep high quality personnel at all levels.

CORPORATE GOVERNANCE

The Company has adopted all the code provisions in the Code on Corporate Governance Practice ("the Code") as set out in the Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules"). In the opinion of the Directors, the Company has met the code provisions of the Code during the six months ended 31 December 2006.

The Company has established an audit committee comprising three independent non-executive directors. The audit committee has reviewed together with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim results for the six months ended 31 December 2006.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the Model Code throughout the six months ended 31 December 2006.

PURCHASE, SALES AND REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 31 December 2006, neither the Company nor its subsidiaries repurchased, sold or redeemed any of the Company's shares during the period.

By Order of the Board
TAN Sim Chew
Chairman

Hong Kong, 22 March 2007

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Tan Sim Chew, Mr. Zhong Ma Ming, Mr. Fu Zi Cong and Mr. Lo King Fat, Lawrence, and three independent non-executive directors, namely Mr. Wong Kwai Sang, Kays, Mr. Tsang Chun Pong and Mr. Li Chun Ming, Raymond.

* *For identification purpose only*

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