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 2007

The Board of Directors (the "Directors") of Benefun International Holdings Limited (the "Company") hereby announces the annual consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2007, together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
(Expressed in Hong Kong dollars)

		For the year ended 30 June	
		2007	2006
	Notes	***$'000***	*$'000*
Turnover	2	**153,726**	219,447
Cost of sales		**(99,825)**	(148,522)
		53,901	70,925
Other income		**8,897**	16,242
Distribution costs		**(63,080)**	(62,426)
Administrative expenses		**(36,838)**	(29,760)
Loss from operations		**(37,120)**	(5,019)
Finance costs	3	**(1,595)**	(93)
Loss before income tax expense	3	**(38,715)**	(5,112)
Income tax credit/(expense)	4	**468**	(1,018)
Loss attributable to equity holders of the Company		**(38,247)**	(6,130)
Loss per share	6		
– Basic		**(2.66 cents)**	(0.46 cent)
– Diluted		**–**	–

CONSOLIDATED BALANCE SHEET

(Expressed in Hong Kong dollars)

	Note	**As at 30 June 2007 $'000**	As at 30 June 2006 $'000
Non-current assets			
Property, plant and equipment		**20,151**	59,811
Investment properties	7	**39,784**	–
Construction in progress		**1,272**	1,147
Interests in leasehold land held for own use under operating leases		**109**	1,176
Deferred tax assets		**36**	52
		61,352	62,186
Current assets			
Inventories		**27,771**	16,193
Trade and other receivables		**72,753**	55,050
Tax recoverable		**435**	–
Cash and cash equivalents		**20,416**	4,728
		121,375	75,971
Current liabilities			
Trade and other payables		**45,466**	31,006
Income tax payable		**–**	282
Other financial liabilities		**40,041**	–
		85,507	31,288
Net current assets		**35,868**	44,683
Total assets less current liabilities		**97,220**	106,869
Non-current liabilities			
Other financial liabilities		**–**	5,820
Deferred tax liabilities		**1,802**	1,539
		1,802	7,359
Net assets		**95,418**	99,510
Capital and reserves			
Share capital		**16,350**	13,319
Reserves	8	**79,068**	86,191
Total equity		**95,418**	99,510

Notes:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA, that are relevant to its operation and effective for accounting period beginning on 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented.

2 SEGMENT RESULTS

An analysis of the Group's revenue and results by business segments for the year ended 30 June 2007, together with the comparative figures for the corresponding period in 2006 is as follows:

	Apparel manufacturing		**Property rental**		**Property development**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment revenue:								
Turnover	**150,311**	214,308	**3,415**	–	**–**	5,139	**153,726**	219,447
Other income	**8,747**	16,071	**–**	–	**–**	–	**8,747**	16,071
Total segment revenue	**159,058**	230,379	**3,415**	–	**–**	5,139	**162,473**	235,518
Interest income and other unallocated income							**150**	171
Total revenue							**162,623**	235,689
Segment results	**(32,582)**	(76)	**3,415**	–	**(5,647)**	(175)	**(34,814)**	(251)
Unallocated results							**(2,456)**	(4,939)
Interest and other unallocated income							**150**	171
Loss from operations							**(37,120)**	(5,019)
Finance costs							**(1,595)**	(93)
Loss before income tax expense							**(38,715)**	(5,112)
Income tax credit/(expense)							**468**	(1,018)
Loss attributable to equity holders of the Company							**(38,247)**	(6,130)

The Group comprises the following main geographic segments:

	Mainland China		Hong Kong		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Turnover from external customers	**153,726**	217,223	**–**	2,224	**–**	–	**153,726**	219,447

3 LOSS BEFORE INCOME TAX EXPENSE

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

	2007	2006
	$'000	*$'000*
Cost of inventories sold	**96,520**	156,115
Interest on bank advances and other financial liabilities repayable within five years	**1,595**	93
Share based payment expense	**–**	1,646
Depreciation on property, plant and equipment	**9,410**	8,751
Write-down (Reversal of write-down) of inventories	**3,305**	(7,593)
Impairment loss on trade and other receivables recognised/(reversed)	**6,631**	(278)

4 TAXATION

Taxation in the consolidated income statement represents:

	2007	2006
	$'000	*$'000*
Current tax outside Hong Kong		
Provision for the year	**89**	825
Deferred tax	**(557)**	193
Total income tax (credit)/expense	**(468)**	1,018

No provision for Hong Kong Profits Tax has been made in the financial statements (2006: 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 2007. (2006: Nil).

6 LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of HK$38,247,000 (2006: HK$6,130,000) divided by the weighted average of 1,439,991,000 ordinary shares (2006: 1,331,929,000 ordinary shares) in issue during the year. Diluted figures are not shown as there is no dilutive effect for the years ended 30 June 2006 and 2007.

7 INVESTMENT PROPERTIES

	2007	2006
	$'000	*$'000*
Transfer from property, plant and equipment	**38,796**	–
Transfer from interest in leasehold land held for own use under operating leases	**988**	–
	39,784	–

8 RESERVES

	Share premium	Share-based compensation reserve	Legal reserve	Foreign exchange revaluation reserve	Revaluation reserve	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 30 June 2006	128,529	1,646	3,090	2,934	19,205	(69,213)	86,191
Premium on placing of new shares	23,645	–	–	–	–	–	23,645
Translation differences on overseas operations	–	–	–	2,745	–	–	2,745
Transfer between reserves	–	–	–	–	(1,864)	1,864	–
Change in fair value of buildings	–	–	–	–	5,570	–	5,570
Deferred tax arising from change in valuation of buildings	–	–	–	–	(836)	–	(836)
Loss for the year	–	–	–	–	–	(38,247)	(38,247)
At 30 June 2007	**152,174**	**1,646**	**3,090**	**5,679**	**22,075**	**(105,596)**	**79,068**

BUSINESS AND OPERATION REVIEW

For the year ended 30 June 2007, the Group faced difficult situation in our retail segment of business. Fierce price competition coupled with upsurge of product supply cost, shop rental and manpower costs adversely affected both sales turnover and margin substantially. Sales turnover decreased to HK$153.7 million from HK$219.4 million, while gross profit dropped to HK$53.9 million from HK$70.9 million. As a result of reduced margin but increasingly high rental and staff outlays on shops, the Group incurred a net loss of HK$38.2 million for the reporting year.

During the year, the Group continued to focus much on the fashion retail market in Mainland China. As at 30 June 2007, the Group operated 192 "Fun" brand stores in China. In the reporting year, the number of directly managed stores increased slightly to 153 from 148, while the number of franchise stores decreased to 39 from 87.

The Group had adopted strategic measures to enhance brand image to compete against local and international fashion players. We managed to sell quality products identified with a contemporary style. Ladies' wear and men's wear for casual, denim and contemporary collections were structured and delivered to our customer segment. The Group had also launched stringent measures to curb operating cost increase. We explored new sources of fabric and merchandise supplies, and we worked hard to negotiate more reasonable terms with landlords upon shop lease renewal. However, the inflation pressure on product supplies, rental and manpower costs offset our effort for profit improvement.

Although China's economy continued to record an upward trend at a high rate, the retail industry underwent a difficult process. Owing to strong demand for presence by new local and international market entrants, shop rent had dramatically risen by 2 to 3 times on lease renewals. Furthermore, the high turnover of frontline personnel made the retail operation unstable. Our strategy during this turbulent retail situation was to consolidate our scale of operation to preserve resources for future business challenges

.

The Group had outsourced a higher proportion of production orders to external factories in order to take full benefit on bulk purchasing and risk reduction. Since the second-half of the year, the Group had closed its own denim and knitwear production plants and sold related machineries. Thereafter, all supply orders had been placed to competent and qualified factories throughout the region.

Although the retail situation was unstable and volatile in the year, the overall economic and political environment continued to leap at a great pace in Mainland China. The general population, especially the rising middle-class, was able to accumulate monetary wealth to improve their living environment, which contributed to a booming property market. Our property development projects in Zhangzhou City of Fujian Province were in smooth progress. The construction of a 22-storey commercial/residential building known as "Singapore Ritz" with an usable area of approximately 15,800 square meters was at the completion stage. The pre-construction plan for another two pieces of land with a total land area of approximately 30,000 square meters was almost completed.

PROSPECT

In the past decade, China has been hitting annual new records of GDP growth. The spending power of the rising middle-class is accumulating tremendously. Demands for status recognition, stylish products, enjoyment and good living places are particularly strong. Our Group is dedicated to capitalizing business opportunities from these needs.

We foresee that the retail market will be increasingly competitive and volatile although dynamic. Our policy is to operate retail business under modest risk and lower cost only. We will terminate the leases of loss-making shops immediately or allow them to lapse upon expiry. We are also revamping and restructuring current franchising mechanism. From then onward, we will operate distribution channels through new franchising programs to reduce risk. We will only select and invite reputable and high caliber franchisees to run our innovative new concept "Fun" shops. Our emphasis will be on boosting "Fun" image through strong communication of its unique brand character to our selected customer groups.

A strong and growing economy of China will lead to faster diffusion of urbanization to second and third tier cities. The dramatic rise of a nationwide middle class has created a strong demand for quality houses and apartments. Yet, the house supplies lag far behind the demands. The Group will take business opportunities from the booming property market aggressively yet prudently.

The construction of the 22-storey commercial/residential building known as "Singapore Ritz" in Zhangzhou City will be completed before the end of 2007, and launched into the market around mid-2008. The pre-construction plan for another two pieces of land in Zhangzhou with a total land area of approximately 30,000 square meters has been largely completed. The actual pre-construction work will commence once relevant Government certificates are obtained in the next few months. We will prudently acquire additional land reserves in other cities that are undergoing urbanization. The management believes that these property development projects will generate constant and substantial revenue to the Group in the years to come.

LIQUIDITY AND FINANCIAL RESOURCES

The gross profit was HK$53.9 million as compared with HK$70.9 last year. Gross profit percentage was 35.1% as compared with 32.3% last year.

Apparel inventory level was HK$10.9 million, as compared with HK$9.3 million last year. Average stock turnover for the year was 1.3 months, as compared with 1.2 months.

Net cash outflow from operating activities was HK$27.1 million for the reporting year, compared with HK$30.2 million for the prior year. Cash balance at the year end amounted to HK$20.4 million, versus HK$4.7 million at the prior year end.

Outstanding bank loans as at 30 June 2007 was HK$40.0 million (2006: HK$5.8 million). The bank loans were secured by the Group's interest in leasehold land included in inventories under the category of properties under development and the Group's investment properties and interest in leasehold land held for own use under operating lease.

Capital commitment contracted for but not provided in the financial statement at 30 June 2007 was approximately HK$29.4 million, as compared with HK$40.0 million last year.

The debt equity ratio as at 30 June 2007 was 0.42, compared with 0.06 on the same date last year.

The Group's current ratio as at 30 June 2007 was 1.42, as against 2.43 at the prior year end. Quick ratio was 1.09, versus 1.91 at the prior year end.

HUMAN RESOURCES

As at 30 June 2007, the Group had 1,288 employees (2006: 2,253). The Group offers competitive remuneration, bonus and share option packages based on the performance of the Group and that of individual employees. Much weighting is placed on keeping high quality personnel at all levels. Relevant training courses are offered to employees regularly.

CORPORATE GOVERNANCE

The Company has adopted all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules as its own code on corporate governance practices. The Company has compiled with code provisions as set out in the Code during the year ended 30 June 2007.

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 discussed auditing, internal controls and financial reporting matters including the annual consolidated results of the Group for the year ended 30 June 2007.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by the directors and by relevant employees. All directors have confirmed, following specific enquiry by the Company, that they fully compiled with the Model Code throughout the year.

PURCHASE, SALES AND REDEMPTION OF THE COMPANY'S SHARES

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

By Order of the Board
TAN Sim Chew
Chairman

Hong Kong, 12 October 2007

* *For identification purpose only*

As at the date hereof, the Board comprises seven directors of which Messrs TAN Sim Chew, ZHONG Ma Ming, 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.