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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

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 2004 together with the comparative figures. These interim financial results have not been audited, but have been reviewed by the Company's audit committee and auditors.

CONDENSED CONSOLIDATED INCOME STATEMENT
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2004	2003
		(Unaudited)	(Unaudited)
	Notes	***$'000***	*$'000*
Turnover	*2*	**103,978**	94,034
Cost of sales		**(67,636)**	(58,460)
Gross profit		**36,342**	35,574
Other revenue		**3,123**	3,388
Distribution costs		**(19,905)**	(22,397)
Administrative expenses		**(13,943)**	(13,693)
Operating profit		**5,617**	2,872
Finance costs	*3*	**(231)**	(380)
Profit from ordinary activities before taxation	*3*	**5,386**	2,492
Taxation	*4*	**(2,608)**	(1,229)
Net profit attributable to shareholders		**2,778**	1,263
Earnings per share	*6*		
Basic		**0.23 cent**	0.12 cent

CONDENSED CONSOLIDATED BALANCE SHEET

(Expressed in Hong Kong dollars)

	Notes	**As at 31 December 2004 (Unaudited) *$'000***	As at 30 June 2004 (Audited) *$'000*
Non-current assets			
Property, plant and equipment		**70,060**	70,638
Construction in progress		**–**	1,758
Deferred tax assets		**–**	1,840
		70,060	74,236
Current assets			
Inventories		**15,160**	16,343
Trade and other receivables		**42,033**	39,622
Cash at banks and in hand		**23,383**	17,904
		80,576	73,869
Current liabilities			
Bank loans – secured		**8,915**	9,896
Trade and other payables		**40,566**	48,662
		49,481	58,558
Net current assets		**31,095**	15,311
Non-current liabilities			
Deferred taxation		**500**	–
Net assets		**100,655**	89,547
Capital and reserves			
Share capital		**13,319**	11,319
Reserves	*7*	**87,336**	78,228
		100,655	89,547

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 Institute of Certified Public Accountants. The accounting policies and basis of preparation used in the preparation of these interim financial statements are the same as those used in the preparation of the audited financial statements for the year ended 30 June 2004.

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 2004, together with the comparative figures for the corresponding period in 2003, is as follows:

	Mainland China		**Japan**		**Consolidated**	
(Unaudited)	**2004**	2003	**2004**	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment revenue:						
Sales to external customers	**100,045**	90,938	**3,933**	3,096	**103,978**	94,034
Other revenue	**2,772**	3,224	**–**	–	**2,772**	3,224
Total segment revenue	**102,817**	94,162	**3,933**	3,096	**106,750**	97,258

	Mainland China		**Japan**		**Consolidated**	
(Unaudited)	**2004**	2003	**2004**	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Interest income and other unallocated income					**351**	164
Total revenue					**107,101**	97,422
Segment results	**7,129**	2,547	**(1,863)**	161	**5,266**	2,708
Interest income and other unallocated income					**351**	164
Profit from operating activities					**5,617**	2,872
Finance costs					**(231)**	(380)
Profit from ordinary activities and before taxation					**5,386**	2,492
Taxation					**(2,608)**	(1,229)
Net profit attributable to shareholders					**2,778**	1,263

3 Profit from ordinary activities before taxation

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

	Six months ended 31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	$'000	*$'000*
Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**231**	380
Depreciation	**5,452**	5,572
Provision for inventory obsolescence	**(3,624)**	938
Provision for bad and doubtful debts	**2,627**	1,464

4 Taxation

Taxation in the condensed consolidated income statement represents:

	Six months ended 31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	$'000	*$'000*
Current tax		
– Taxation outside Hong Kong	**268**	164
Deferred tax		
– Origination and reversal of temporary differences	**2,340**	1,065
	2,608	1,229

No provision for Hong Kong profits tax has been made in the financial statements (2003: Nil) as companies operating in Hong Kong within the Group have available tax losses for offsetting assessable profits for the period.

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 period.

5 Dividends

No interim dividend has been declared in respect of the interim period ended 31 December 2004 (2003: $Nil).

6 Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of $2,778,000 (2003: $1,263,000) divided by the weighted average of 1,194,972,000 ordinary shares (2003: 1,029,375,000 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 2004 (2003: Nil).

7 Reserves

	Share premium	Legal reserve	Foreign exchange revaluation reserve	Revaluation reserve	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 July 2004 (Audited)	122,226	3,090	1,643	23,997	(72,728)	78,228
Premium on placing of shares	6,400	–	–	–	–	6,400
Share issue expenses	(97)	–	–	–	–	(97)
Transfer between reserves	–	–	–	(978)	978	–
Exchange difference	–	–	27	–	–	27
Net profit for the period	–	–	–	–	2,778	2,778
At 31 December 2004 (Unaudited)	128,529	3,090	1,670	23,019	(68,972)	87,336

REVIEW OF OPERATION

The consolidated turnover of the Group reached HK$104.0 million for the six months ended December 31 2004. This represented an increase of 10.6%, as compared to HK$94.0 million for the same period last year. The operating profit (earnings before interest and taxes "EBIT") increased to HK$5.6 million, up 95.6% from the corresponding period last year. The net profit attributable to shareholders increased to HK$2.8 million, up 120% from the corresponding period last year.

The business environment during the period was stable and indeed improved. The Chinese Government had recently implemented macroeconomic measures to control excessive investments. Nevertheless, the overall retail sentiment in China was positive and strong. The consumer market for fashion continued to expand.

To further sharpen our competitive edge, the Group embarked on effective management on supply chain, apparel design, service enhancement and cost control. With unique labeled products and quality services for our customers, we managed to outperform local competitors and gain additional market share by expanding sales in the same stores and penetrating into more first-tier and second-tier cities. The Group added 47 new stores last year that rounded up the total number of our stores to 250 as at the end of the period, compared to 203 shops as at the end of December 2003. Of all the shops in operation, 100 of them were under our direct management, and 150 were operated on franchise basis.

The Group is determined to enhance the market stronghold of our fashion brand "Fun" in China. To promote brand loyalty among our selected and expanding group of young customers, we implemented nationwide promotion programs to boost the young lifestyle of "Fun".

Our export activity, primarily shipment to Japan, also contributed to the growth in turnover. The export division was fast growing, which allowed our factory to enjoy greater economies of scale through increased production volume.

The Group continued to upgrade its production facilities extensively. To improve cost control, procurement and logistics, we started to shift our major production facilities from Anxi to Xiamen. This further simplified the manufacturing processes and shortened delivery lead-time to shops and customers.

The property projects in Zhangzhou City of Fujian province were launched successfully during the period. The first commercial/residential building with an usable area of approximately 1,290 square metres is close to completion, which is expected to generate additional revenue for the Group in the near future.

OUTLOOK

Looking forward, as driven by a promising GDP growth in China, local consumer spending power will expand further. The business environment and customer sentiment will remain sound and strong. Although the competition in the apparel market is fierce, the Group has extensive expertise and network to expand our business in China. We will undertake business expansion with steady opening of new stores under our own management and aggressive franchising strategies.

We will continue to boost the brand positioning of "Fun" as a young and unique U.S. lifestyle fashion capturing all the fitting trends and styles. With product diversification as our on-going strategy, we will monitor and compose delicate casual denim, and contemporary collections for men and ladies. The Group aims at securing full selling price for our merchandise and delivering them to our customers efficiently. We will continue to launch extensive promotion programs to boost our label and brand culture.

Since the export quota system has been eliminated, overseas buyers are keen to look for competitive supplies. Our management will enhance aggressively our export garment business in the coming year. We are improving and upgrading our production in the Xiamen plant to secure efficient domestic and international order processing.

The property development projects in Zhangzhou City of Fujian are under smooth progress. The first small-scale project is at the completion stage and will be ready for sale in the coming period. The Group expects to commence development for a larger area of land next year, as the demand for street stores and comfortable housing in China's second-tier cities is growing strong. The Group is able to allocate appropriate expertise and finance for these land development projects. We are optimistic that these property developments will provide substantial revenue to the Group in addition to its core business on garment manufacturing and retailing.

LIQUIDITY AND FINANCIAL RESOURCES

Because of stronger branding and more effective product management, the Group has maintained a higher percentage of sales at full price during the period. Overall production cost was reduced because of better application of economy of scale. The gross profit percentage of sales in self-operated stores was maintained at approximately 41%, while that of sales to franchise stores was 29%.

The Group's performance-based remuneration system was motivating. The staff cost as a percentage to sales was 18.3%. Since more weighting was put on franchising business, the rental cost as a percentage to sales was 5.8%.

Inventory level was strictly maintained at HK$15.2 million as at 31 December 2004. Because of constant tight control on ordering and delivery, average stock turnover for the period was further improved to 1.3 months only.

The Group maintained a stable net cash position during the period under review. Cash balance at the period end was HK$23.4 million, compared with a balance of HK$17.9 million at 30 June 2004. Net cash inflow from operating activities was HK$3.5 million, compared with a net cash inflow of HK$8.3 million for the same period of last year. Outstanding bank loan was HK$8.9 million, compared with HK$9.9 million at 30 June 2004.

The Group's bank borrowings at 31 December 2004 were in Renminbi and the Group continues to derive its revenue mainly in the same currency. Its exposure to currency exchange rate fluctuation is not significant.

Capital commitment contracted for but not provided in the financial statement at 31 December 2004 was approximately HK$21.9 million (at 30 June 2004: HK$23.9 million).

The debt equity ratio at 31 December 2004 was 0.09, compared with 0.11 at 30 June 2004.

The Group's current ratio at 31 December 2004 was further improved to 1.63, as compared with 1.26 at 30 June 2004. Quick ratio was also improved to 1.32, as compared with 0.98 at 30 June 2004.

HUMAN RESOURCES

As at 31 December 2004, the Group had 2,229 employees of which 2,223 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 provides both in-house and external training programs to strengthen the Group's human resources.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31 December 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice.

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of the unaudited interim financial information for the six months ended 31 December 2004 before being put forward to the directors for approval. In carrying out this review, the audit committee has obtained explanations from management.

PURCHASE, SALES AND REDEMPTION OF THE COMPANY'S SHARES
During the period, neither the Company nor its subsidiaries repurchased, sold or redeemed any of the Company's shares during the period.

On behalf of the Board
TAN Sim Chew
Chairman

Hong Kong, 18 March 2005

As at the date hereof, the Board comprises seven directors of which Messrs TAN Sim Chew, CHEN Miao Zhu, 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.

* *for identification only*

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