

I hereby present to the shareholders the annual report of Benefun International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2003.

For the year under review, the Group's turnover was approximately HK\$163.6 million, representing an increase of 18.6% as compared with HK\$137.9 million of last year. The business performance improved from a net loss of HK\$38.9 million to a net profit after tax of HK\$2.9 million in the current year. More information of the Group's operating performance can be found in the Management Discussion and Analysis section of this annual report.

During the year, the Management has successfully enhanced awareness of our brand name "Fun" and its popularity among the selected group of customers. Our market share has expanded after implementing effective promotion programs and dynamic franchising operations. The advertising activities supported by "A-do", one of the most popular singers in Greater China, were very successful. Improved product image, more eye-catching shop displays and enhanced delivery logistics have also contributed to consolidating customer loyalty with higher profit margins.

In response to a weak global economy and depressed consumer sentiment, especially during the second half of the fiscal year with the outbreak of the Severe Acute Respiratory Syndrome ("SARS") and the Iraq war, the Group had taken serious measures to increase factory productivity and slash overhead costs. We were happy to see that SARS has subsided and the economy of Mainland China swiftly rebounded in a very short period of time.

The Group is optimistic about the fashion retailing market and the garment export business in China. The Management will closely monitor the overall economic situation and assiduously work towards its target of expanding the market share in these chosen businesses.

On 25 September 2003, a placement issue of 170 million new ordinary shares of HK\$0.01 each at a price of HK\$0.048 each was made through a placement agent to several independent investors. The net proceeds of approximately HK\$8 million will be used as general working capital of the Group.

On behalf of the board, I wish to thank our staff for their hard work and loyalty. I would also like to extend my sincere gratitude to all shareholders and business partners for their continuous support.

Tan Sim Chew

Chairman

Hong Kong, 10 October 2003