

On behalf of Benefun International Holdings Limited (the "Company"), I am pleased to present to the shareholders the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2004.

The year 2004 saw stable and steady growth for the Group, with a year-on-year increase of 15.8% for our turnover that amounted to HK\$189.5 million. The operating profit (earnings before interest and taxes "EBIT") increased by 93.5% and amounted to HK\$8.1 million. The net profit attributable to shareholders increased to HK\$3.9 million compared with HK\$0.2 million last year as restated. More information on the Group's operating performance can be found in the Management Discussion and Analysis Section in this annual report.

The Group is persistently committed to enhancing the market stronghold of our brand "Fun" in China, and promoting loyalty among the expanding selected group of young customers. Throughout the year we have implemented nationwide promotion programs to boost the young lifestyle image of "Fun". The advertising activities supported by "A-do", one of the most popular singers in Greater China, continued to be very successful. Improved product image, eye-catching shop displays and enhanced delivery logistics allowed the Group to expand the market geographically through opening of more self-operated stores and especially franchised stores in the first and second tier cities.

The Group is optimistic about fashion retailing market and garment export business in China. The global upsurge of crude oil prices and signal of inflation have led the Chinese Government to implement macroeconomic measures to control excessive investments. Nevertheless the overall retail sentiment in China remains strong. The fashion market continues to be expanding. The management will monitor closely the overall economic situation and assiduously work towards the target of expanding market share in chosen business.

The Group is taking further opportunities to diversify its operation and income source. Several prudent property development projects in Zhangzhou City of Fujian Province have commenced during the year. These projects are launched subsequent to the Group's research on the high demand for street stores and comfortable housing in China's second tier cities. We are confident that these projects will provide additional revenue to the Group in the near future.

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 were used as general working capital of the Group.

CHAIRMAN'S STATEMENT

On behalf of the board, I would express my sincere gratitude to all shareholders and business partners for their continuous support to the Group during the year. I would also convey cordial thanks to the staff for their hard work and loyalty to the Group.

Tan Sim Chew

Chairman

Hong Kong, 11 October 2004