

I am pleased to 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 2005.

The Group continued to foster steady business growth. Turnover was HK\$194.2 million, representing a modest increase of 2.5% compared with the same of last year. The operating profit (earnings before interest and taxes "EBIT") improved by 24.4% and amounted to HK\$10.1 million. The net profit attributable to shareholders increased by 51.0% and amounted to HK\$5.9 million as compared with HK\$3.9 million last year. More information on the Group's operating performance can be found in the management discussion and financial analysis sections in this annual report.

China's economy was on an upward trend at a fast rate in the year. The global upsurge of crude oil prices and signal of inflation had led the Chinese Government to continue its macroeconomic measures to control excessive investments. Nevertheless, the fashion market was not adversely affected. The management monitored continuously the economic situation and assiduously expanded the market share in this chosen business.

During the year, we continued to develop the China market by penetrating into existing cities while exploring new ones in the country. We achieved this goal by opening both self-managed shops and franchise shops throughout the nation.

The Group continued to capitalize the market stronghold of our fashion brand "Fun" in China. We persistently upgraded our product style and quality in order to establish firmly our parameter in the upper middle market segment. We emphasized raising brand visibility through innovative marketing, wider product design and mix introductions, and identifying superior outlets with better use of shop space.

Nationwide promotion programs were launched regularly to boost the young lifestyle image of "Fun" among the expanding selected group of young customers. In June 2005, the Group signed an advertising contract for two years with Kenji Wu, a popular young singer in Greater China to promote our "Fun" brand. The singer's television shows with "Fun" presentation will be launched nationwide in China in the coming seasons.

Our export activity, primarily shipments to Japan, had also contributed solidly to our turnover. The export division grew steadily. It allowed our factory to enjoy greater economies of scale through increased production volume.

The Group has upgraded its production facilities extensively. Our production facilities were shifted back to Xiamen from Anxi in the second half-year. This has significantly simplified our manufacturing processes and shortened the delivery lead-time to our shops and customers.

CHAIRMAN'S STATEMENT

The Group launched the property development projects in Zhangzhou City of Fujian province smoothly. The first commercial/residential building with a gross floor area of approximately 1,290 square metres only was completed and most of the units were pre-sold recently. The next piece of raw land with a site area of approximately 2,569 square metres is currently under development. A twenty-five storey commercial/residential building with a gross floor area of approximately 15,800 square meters will be erected in the very near future.

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, 7 October 2005