
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt, as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or any other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold all or transferred all your shares in Benefun International Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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BENEFUN INTERNATIONAL HOLDINGS LIMITED

奮發國際控股有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1130)

DISCLOSEABLE TRANSACTION

8 June 2004

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:–

“Acquisition”	the acquisition of the right to use the Land by PRC Company;
“Agreement”	the agreement dated 13 May 2004 entered into between PRC Company on the one part as purchaser and Land Bureau on the other part as vendor relating to the acquisition of the right to use the Land in the Consideration;
“Board”	the board of Directors of the Company;
“Company”	Benefun International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange;
“Consideration”	a sum of RMB5,070,000 being the consideration for the acquisition of the right to use the Land;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Land”	A piece of land with an area of 3,536m ² located at Zhangzhou City, Fujian Province, the PRC (宗地編號為2004挂－08號) (Lot No.: 2004 Gua – 08*);
“Land Bureau”	漳州市國土資源局 (Land and Resources Bureau of Zhangzhou City*);
“Latest Practicable Date”	4 June 2004 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	The People’s Republic of China;
“PRC Company”	漳州市高暉房地產開發有限公司 (Zhangzhou City Gao Hui Property Development Company Limited*);

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DEFINITIONS

“Previous Land”	A piece of land with an area of 26,427.83m ² located at Zhangzhou City, Fujian Province, the PRC (宗地編號為2003挂－01號) (Lot No.: 2003 Gua – 01*);
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Share Options”	the share options held by the Directors as disclosed in the interim report of the Company in 2004;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong Dollars.

For the purpose of this circular, the exchange rate for RMB to HK\$ is 1.06 to 1.

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BENEFUN INTERNATIONAL HOLDINGS LIMITED
奮發國際控股有限公司*

(Incorporated in Cayman Islands with limited liability)

Executive directors:

Mr. Tan Sim Chew (*Chairman*)

Ms. Chen Miao Zhu

Mr. Fu Zi Cong

Mr. Lo King Fat, Lawrence

Independent non-executive directors:

Mr. Wong Kwai Sang, Kays

Mr. Tsang Chun Pong

Registered office:

Ugland House South Church Street

P.O. Box 309

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Grand Cayman

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Principal place of business:

1-18 Xinhe Industrial Park Dainqian

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166-168 Gloucester Road

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Hong Kong

*To the shareholders, and for information
only to the Optionholders*

Dear Sir and Madam,

**DISCLOSEABLE TRANSACTION IN RELATION TO THE
ACQUISITION OF THE LAND**

1. INTRODUCTION

The Directors announce that PRC Company, a wholly owned subsidiary of the Company, entered into an Agreement with Land Bureau on 13 May 2004 for the acquisition of the right to use the Land in the Consideration at a public auction and PRC Company has not paid the Consideration. The Acquisition constitutes a discloseable transaction under the Listing Rules and further details are set out below. The purpose of this circular is to provide you with further information of the Acquisition.

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LETTER FROM THE BOARD

Trading in shares of the Company has been suspended with effect from 9:30 a.m. on 14 May 2004 at the request of the Company. Application has been made by the Company for the resumption of trading in shares of the Company at 9:30 a.m. on 18 May 2004.

2. THE AGREEMENT

Date and Parties

Date: 13 May 2004

Purchaser: PRC Company

Vendor: Land Bureau is an independent third party who is not a connected person of the Company as defined in the Listing Rules.

The Agreement

The Agreement was signed on between Land Bureau as one party, and PRC Company as another party. The latter is a wholly owned subsidiary of the Company. Pursuant to the Agreement, PRC Company has agreed to acquire the right to use the Land of 3,536m² located at Zhangzhou City, Fujian Province, the PRC (宗地編號為2004挂－08號) (Lot No.: 2004 Gua – 08*) in the Consideration and PRC Company has not paid the Consideration. The right to use the Land was offered for sale at an initial price of RMB 4,510,000 (equivalent to HK\$4,254,716.98) in a public auction conducted at 漳州市區土地收購儲備中心地產交易大廈 (Lands Acquisition and Reserve Centre of Zhangzhou City at Property Exchange Building*) on 13 May 2004. The amount of RMB4,510,000 is the market value of the right to use the Land assessed by Land Bureau. After several bids, PRC company successfully bid for the right to use the Land at a price of RMB5,070,000 (equivalent to HK\$4,783,018.87) which is about 12.42% higher than the initial offer price

Assets to be acquired

Pursuant to the Agreement, PRC Company has agreed to acquire from Land Bureau the right to use the Land in the Consideration. After completion of the Acquisition, PRC Company has the right to use the Land and shall use the Land for property development for residential and commercial purposes. The Company intends to develop the Land for a building with six storeys including the ground floor and the units on the ground floor of the building will be used for commercial purpose and the rest of the units will be used for residential purpose.

Consideration

A sum of RMB5,070,000 payable by PRC Company for the acquisition of the right to use the Land was arrived at a public auction conducted at 漳州市區土地收購儲備中心地產交易大廈 (Lands Acquisition and Reserve Centre of Zhangzhou City at Property Exchange Building*) on 13 May 2004. As the right to use the Land was offered for sale in a public auction, the consideration for the right to use the Land was determined by the person who made the highest bid. PRC

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LETTER FROM THE BOARD

Company decided to bid for the right to use the Land in the Consideration on the basis that (i) PRC Company has acquired the Previous Land in Zhangzhou City in 2003, PRC Company can obtain more land reserves and increase its market share in the property market of Zhangzhou City if PRC Company can bid for the right to use the Land; (ii) as the location of the Land is better than the Previous Land, the Company considers that it is fair and reasonable to acquire the right to use the Land in the Consideration because the unit price for the right to use the Land per square metre is RMB1,433.82 which is only about RMB143.86 higher than the right to use the Previous Land per square metre (RMB1,289.96); and (iii) the Consideration is only about 12.42% higher than the initial offer price (RMB4,510,000). The Company initially decides that 60% of the Consideration will be funded by bank loans and the remaining 40% of the Consideration will be funded by internal resources of the Group.

Payment Terms

Pursuant to the Agreement, PRC Company shall pay the Consideration to Land Bureau by way of three instalments, PRC Company shall pay the first instalment in a sum of 50% of the Consideration to Land Bureau on or before 13 July 2004. PRC Company shall pay the second instalment in a sum of 20% of the Consideration to Land Bureau on or before 13 September 2004 and PRC Company shall pay the third instalment in a sum of 30% of the Consideration to Land Bureau on or before 10 November 2004. Completion of the Acquisition will take place on 13 July 2004.

Other Terms

According to the Agreement, PRC Company is not required to give any guarantee and/or security for the Acquisition and there is no pre-condition for the completion of Acquisition except (i) payment of the Consideration pursuant to the Agreement; and (ii) PRC Company has to execute a 國有土地使用權出讓合同 (Agreement for assigning the right to use Government Land*) with Land Bureau. Any party who breaches the Agreement has to compensate all the damages incurred by the other party.

3. INFORMATION ON THE COMPANY, PRC COMPANY & LAND BUREAU

The Company is an investment holding company and PRC Company, being a wholly owned subsidiary of the Company, is a limited liability company duly incorporated in compliance with the laws in the PRC on 28 July 1999 and has the right to operate the business of property development, operation and management. Zhangzhou City is one of the main cities in Fujian Province, the PRC and Land Bureau is a government department in the Zhangzhou City. The main duties of Land Bureau are to plan, regulate, manage, protect and utilize the land resources, mine resources and other natural resources in Zhangzhou City according to the laws of the PRC. Land Bureau is duly authorized by the local government of Zhangzhou City to enter into the Agreement with PRC Company.

The Agreement constitutes a discloseable transaction under Rule 14.34 of the Listing Rules and should be disclosed by way of press notice and sending a circular to the Shareholders.

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LETTER FROM THE BOARD

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4. REASONS FOR THE ACQUISITION

The business of the Company through its subsidiaries consists of garment manufacturing and retailing. The Company is actively looking for further opportunities to diversify its operation and income source. Since the Land can be used for property development for residential and commercial purposes, the Directors believe that the Agreement represents an opportunity to acquire land development right, explore other business and the terms of the Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. The Company intends to develop the Land for both residential and commercial purposes but the Company has not decided the development schedule of the Land at this stage and the Company also does not have any investment and/or funding commitment at this stage. The Company intends to develop the Land for a building with six storeys including the ground floor and the units on the ground floor of the building will be used for commercial purpose and the rest of the units will be used for residential purpose. The Company considers that it is fair and reasonable to bid for the right to use the Land in the Consideration because (i) PRC Company has acquired the Previous Land in Zhangzhou City in 2003, PRC Company can obtain more land reserves and increase its market share in the property market of Zhangzhou City if PRC Company can bid for the right to use the Land; (ii) as the location of the Land is better than the Previous Land, the Company considers that it is reasonable and fair to acquire the right to use the Land at the Consideration because the unit price for the right to use the Land per square metre is RMB1,433.82 which is only about RMB143.86 higher than the right to use the Previous Land per square metre (RMB1,289.96); and (iii) the Consideration is only about 12.42% higher than the initial offer price (RMB4,510,000). As indicated in the interim report of the Company in March 2003, the Group has initiated a small-scale property development project in Zhangzhou of Fujian Province, the Directors believe that the Company can allocate appropriate management expertise for the business development of the Land.

5. ADDITIONAL INFORMATION

Your attention is drawn to the General Information as set out in the appendix to this circular.

By Order of the Board
Benefun International Holdings Limited
Tan Sim Chew
Chairman

Hong Kong, 8 June 2004

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omissions of which would make statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors or the chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they are taken or deemed to have under such provisions of the Securities and Futures Ordinance), or which were required to be entered into the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance or which are required, pursuant to the Model Code for Securities Transaction by the Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Number of Shares
Tan Sim Chew	247,965,226
Chen Miao Zhu	6,500,000
Fu Zi Cong	574,000

Save as disclosed herein and the Share Options, as the Latest Practicable Date:

- (a) None of the Directors or chief executives of the Company had any interest in the Shares, underlying shares or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they are taken or deemed to have under such provisions of the Securities and Futures Ordinance), or which were required to be entered into the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance or which are required, pursuant to the Model Code for Securities Transaction by the Directors of Listed Companies to be notified to the Company and the Stock Exchange;
- (b) none of the Directors was materially interested in any contract or arrangement with any member of the Group subsisting which was significant in relation to the business of the Group taken as a whole; and

- (c) save as disclosed in this section, the Directors were not aware of any person who held or was beneficially interested in 10% or more of the issued share capital of the Company carrying rights to vote in all circumstances at general meeting of the Company or any member of the Group or held any options in respect of any such capital.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or was proposing to enter into a service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable within one year within payment of compensation other than statutory compensation).

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the persons having an interest in 5% or more of the issued share capital of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the Part XV of the Securities and Futures Ordinance were as follows:–

	Number of ordinary shares personally interested	Percentage of total issued shares
Tan Sim Chew	247,965,226	21.91

Save as disclosed herein, as at the Latest Practicable Date, as far as the Directors were aware, there was no person other than the Directors who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

5. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

6. GENERAL

- (a) The secretary of the Company is Mr. Lo King Fat, Lawrence, who is an associate member of the Hong Kong Society of Accountants.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Hopewell Centre, Shops 1712-1716, 17th Floor, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.