

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.*



## **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)**

### **DISCLOSEABLE TRANSACTION**

#### **ACQUISITION OF INTEREST IN BEIJING JIANONG YONGXING AGRICULTURAL PRODUCTION MATERIALS CO., LTD. FUXIN BRANCH**

##### **THE ACQUISITION AGREEMENT**

On 5 December 2009, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interest, representing 70% of the entire registered share capital of the Target Company, at a total consideration of RMB37,000,000 (equivalent to approximately HK\$41,995,000), which shall be satisfied by a combination of cash payment and the allotment and issue of the Consideration Shares by the Company to the Vendor (or its nominee(s)).

The Consideration Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors at the annual general meeting held on 12 December 2008.

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

As one of the applicable percentage ratios for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company.

##### **THE ACQUISITION AGREEMENT**

###### **Date**

5 December 2009

## **Parties**

Purchaser : Capital Goal Trading Limited

Vendor : Beijing Jianong Yongxing Agricultural Production Materials Co., Ltd.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and the ultimate beneficial owner of the Vendor are third parties independent of the Company and the connected persons of the Company.

## **Assets to be acquired**

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interest, representing 70% of the entire registered share capital of the Target Company.

## **Consideration**

The total consideration for the Acquisition is RMB37,000,000 (equivalent to approximately HK\$41,995,000).

The total consideration shall be satisfied by a combination of cash payment and the allotment and issue of the Consideration Shares by the Company to the Vendor (or its nominee(s)) in the following manners:

- (a) RMB1,000,000 (equivalent to approximately HK\$1,135,000) be paid in cash by the Purchaser to the Vendor upon signing of the Acquisition Agreement, provided that the Vendor shall refund such amount to the Purchaser, if any of the following occurs:
  - (i) the Vendor could not complete the Target Branch Restructuring on or before the expiry of 3 months period from the date of signing this Agreement; or
  - (ii) the Completion could not take place on or before the expiry of 3 months period from the date of signing this Agreement;
- (b) RMB500,000 (equivalent to approximately HK\$567,500) be paid in cash by the Purchaser to the Vendor after the expiry of a period of 6 months following the Completion Date;
- (c) RMB500,000 (equivalent to approximately HK\$567,500) be paid in cash by the Purchaser to the Vendor within 3 business day upon satisfaction of the following conditions:
  - (i) the Actual Net Profit for the First Guaranteed Period being not less than RMB2,000,000 (equivalent to approximately HK\$2,270,000); and
  - (ii) the Vendor having been in compliance with the Acquisition Agreement;
- (d) the balance of the consideration for the Acquisition of RMB35,000,000 (equivalent to

approximately HK\$39,725,000) be paid by the allotment and issue of the Consideration Shares by the Company to the Vendor (or its nominee(s)) in the manner discussed in the section headed “Consideration Shares” below.

The total consideration for the Acquisition was determined after arm’s length negotiations between the parties. Based on the unaudited net profit of RMB1,200,000 (equivalent to approximately HK\$1,362,000) of the Target Branch for the year ended 31 December 2008 and the amount of the First Period Guaranteed Profit, the total consideration of RMB37,000,000 represents a price-to-earnings ratio of 30.8 times for 2008 and 5.29 times for 2010, respectively.

The consideration for the Acquisition to be paid in cash will be financed from the Company internal cash reserves.

### **Consideration Shares**

The Consideration Shares will be issued at Completion at the Issue Price.

The Issue Price represents:

- (i) a discount of approximately 8.94% to the closing price of HK\$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 8.20% to the average closing price of HK\$0.122 per Share as quoted on the Stock Exchange in the last five consecutive trading days up to and including the Last Trading Day.

The total number of Consideration Shares to be issued shall be 354,678,000 Shares, which represents (i) approximately 4.94% of the existing issued share capital of the Company of 7,177,890,000; and (ii) approximately 4.71% of the Company’s issued share capital of 7,532,557,000 as enlarged by the issue of the Consideration Shares. The Consideration Shares will rank, upon allotment and issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares.

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares shall be deposited with the Escrow Agent, and will be released to the Vendor (or its nominee(s)), in respect of each of the Guaranteed Periods, in the following manner:

- (a) if the Actual Net Profit for the relevant Guaranteed Period is less than the Guaranteed Profit for the same Guaranteed Period, then the number of the Deposit Shares which may be released to the Vendor (or its nominee(s)) shall be determined in the following manner:

$$\text{the number of the Deposit Shares may be released to the Vendor} = \frac{\text{Actual Net Profit}}{\text{Guaranteed Profit}} \times \text{total number of Deposit Shares for the relevant Guaranteed Period}$$

- (b) if the Actual Net Profit for the relevant Guaranteed Period equals the Guaranteed Profit for the same Guaranteed Period, then the number of the Deposit Shares which may be released to the Vendor (or its nominee(s)) shall be the total number of Deposit Shares for the relevant Guaranteed Period; and
- (c) if the Actual Net Profit for the relevant Guaranteed Period is more than the Guaranteed Profit for the same Guaranteed Period, then the number of the Deposit Shares which may be released to the Vendor (or its nominee(s)) shall be the total number of Deposit Shares for the relevant Guaranteed Period plus an additional number of Deposit Shares (“**Additional Deposit Shares**”) (but the number of Additional Deposit Shares shall not exceed the remaining number of Deposit Shares in any circumstances), the number of which shall be determined in the following manner:

$$\text{the number of Additional Deposit Shares} = \frac{\text{Actual Net Profit- Guaranteed Profit}}{\text{Issue Price}}$$

### **Conditions**

Completion is conditional upon the following conditions being fulfilled (or waived, as the case may be):

- (a) the Vendor having completed the Target Branch Restructuring;
- (b) the Purchaser being satisfied with the result of the Target Branch Restructuring;
- (c) the Purchaser obtaining the evidencing documents of the completion of the Target Branch Restructuring;
- (d) the Purchaser obtaining the registered documents evidencing that the Vendor is the sole beneficial owner of the Sale Interest;
- (e) the Vendor having proved that the Sale Interest is free from encumbrances and third parties’ claims;
- (f) the Purchaser obtaining the relevant corporate documents of the Target Company and/or the Target Branch;
- (g) the Purchaser obtaining a PRC legal opinion on relevant issues in relation to the Vendor, the Target Company and the transfer of the Sale Interest satisfactory to the Purchaser;
- (h) the Purchaser being satisfied with the form and contents of the Shareholders’ Agreement;
- (i) the entering into of the PRC Acquisition Agreement in the form and with the contents satisfactory to the Purchaser;
- (j) the Purchaser obtaining all the government/regulatory body’s approvals necessary for the Acquisition Agreement;

- (k) the completing of all the necessary corporate approval procedures in relation to the Acquisition Agreement, the PRC Acquisition Agreement and the transactions contemplated therein);
- (l) the Listing Committee granting the listing of, and permission to deal in the Consideration Shares/Deposit Shares;
- (m) there having been no abnormal business operations of the Target Company or any material adverse changes or material potential risks in its business operation, assets, financial and legal situations that come into the awareness of the Purchaser;
- (n) the Purchaser completing the due diligence exercise on the Target Company and being satisfied with its result;
- (o) the Purchaser being satisfied with the accounts, indebtedness and overall situation of the Target Company;
- (p) both the Acquisition Agreement and the PRC Acquisition Agreement being legal, valid, and enforceable according to their respective terms and conditions;
- (q) the obligations of the Vendor and the Target Company under each of the Acquisition Agreement and the PRC Acquisition Agreement being legal, valid, and enforceable;
- (r) the guarantee provided by the Vendor under the Acquisition Agreement being legal, valid, and enforceable;
- (s) the Purchaser being able to legally and effectively acquire the Sale Interest according to the Acquisition Agreement and the PRC Acquisition Agreement;
- (t) the Target Company having transferred into a PRC sino-foreign joint venture company;
- (u) the Vendor having the power, right and ability to enter into the Acquisition Agreement and the PRC Acquisition Agreement;
- (v) the obtaining of all the necessary approvals from relevant government agencies, regulatory bodies or any stock exchange;
- (w) the Target Company having completed all necessary corporate approval procedures in relation to the Acquisition;
- (x) the Purchaser being satisfied with the truthfulness, completeness and accuracy in all respects of, and there being no material adverse change in, the warrants and representations made by Vendor during any time from the date of the Acquisition Agreement to the Completion Date;
- (y) the Vendor and the Target Company having been cooperative to the utmost for the disclosure of the Acquisition on the part of the Company and the Purchaser as required by any relevant government agency, regulatory body or any stock exchange;

- (z) the Purchaser obtaining an appointment letter satisfactory to it for the appointment of an agent by the Vendor;
- (aa) the Vendor and the Target Company having duly performed the terms and conditions under the Acquisition Agreement; and
- (bb) the providing of evidencing documents by Vendor and the Target Company in relation to the satisfaction of the conditions as set out in the Acquisition Agreement as required by Purchaser.

### **Completion**

Completion shall take place at 12 p.m. on the third Business Day following the day on which the Purchaser has served a written notice to the Vendor to such effect.

### **GENERAL MANDATE TO ISSUE THE CONSIDERATION SHARES**

The Consideration Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors at the annual general meeting held on 12 December 2008, subject to the limit up to 20% of the then issued share capital of the Company as at the date of the annual general meeting. Under the General Mandate, the Company is authorized to issue up to 1,095,737,800 Shares. Up to the date of this announcement, no new Shares had been issued under the General Mandate. Upon Completion, 354,678,000 Consideration Shares will be issued under the General Mandate, and the balance of 741,059,800 Shares will remain outstanding under the General Mandate. The issue of the Consideration Shares is not subject to Shareholders' approval.

### **REASONS AND BENEFITS OF THE ACQUISITION**

The Group engages in the green business of plantation, research and development of plantation related technologies, manufacture, sale and distribution of plantation products and materials. The Group developed the waste-to-value "O-Live Organic Waste Treatment System" ("O-Live System") which is an automatic machine utilizing high temperature micro-organisms technology for environmental treatment of animal manures of livestock farms. Within 24 hours, O-Live System kills animal influenza and common disease bacteria and converts animal manures into raw materials for producing microbial organic fertilizer.

Eyeing on the increasing share of organic fertilizer in total fertilizer market, the Group established self-operated production bases to utilize the raw materials from its O-Live System, to serve increasing orders and to enhance operating profit.

In view of the established sales channel and customer profile of the Target Branch and eyeing on the increasing market share of organic fertilizer in the northern part of the PRC, the Directors consider that the Acquisition will widen the Group's revenue source and allows the Group to explore the vast business potential and further capture the organic fertilizer market in the northern part of the PRC.

The Directors are of the opinion that the terms of the Acquisition are fair, reasonable and on normal commercial terms, and the Acquisition and the issue of Consideration Shares are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON VENDOR AND THE TARGET COMPANY**

### **Vendor**

Vendor is a company incorporated in the PRC. Its principal activity is sales of fertilizers and other agricultural products.

### **The Target Company**

The Target Company is a company to be incorporated in the PRC by the Vendor through the Target Branch Restructuring. The principal activity of the Target Branch is sale of fertilizer.

The Target Branch is not registered as a legal person in the PRC, and is not required to prepare audited financial statements. Its income has been combined into the income of the Vendor for payment of income tax.

The net profit of the Target Branch based on the Vendor's audited combined accounts for the financial year ended 31 December 2008 prepared in accordance with the PRC accounting standard was approximately RMB1,200,000 (equivalent to approximately HK\$1,362,000). The net profit of the Target Branch for the financial year ended 31 December 2007 is unavailable as the Target Branch was incorporated on 19 February 2008.

The net asset value of the Target Branch was approximately RMB300,000 (equivalent to approximately HK\$340,500) as at 31 December 2008.

## **LISTING RULES IMPLICATION**

As one of the applicable percentage ratios for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company for the purpose of Listing Rules.

## **GENERAL**

The principal business of the Company is investment holding. The principal activities of its subsidiaries are ecological plantation, manufacture and sale of plantation materials and products and "Waste-To-Value" environmental business and property development in the PRC.

## **DEFINITIONS**

In this announcement, the following expressions shall have the respective meanings set opposite thereto:

<b>“Acquisition”</b>	the acquisition of the Sale Interest by the Purchaser pursuant to the Acquisition Agreements
<b>“Acquisition Agreement”</b>	the equity acquisition agreement in relation to the Acquisition entered into between the Purchaser and the Vendor on 5 December 2009.
<b>“Actual Net Profit”</b>	the actual net profit of the Target Company as recorded in its audited financial statement
<b>“Board”</b>	the board of Directors
<b>“Business Day”</b>	any day (excluding Saturday) on which licensed banks in Hong Kong are open for business
<b>“Company”</b>	Benefun International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
<b>“Completion”</b>	the completion of the transfer of the Sale Interest pursuant to the Acquisition Agreement
<b>“Completion Date”</b>	the day on which Completion takes place
<b>“connected person(s)”</b>	has the meaning given to it by the Listing Rules
<b>“Consideration Share(s)”</b>	the new Shares to be allotted and issued by the Company to the Vendor (or its nominee(s)) as part of the consideration for the Acquisition, the details of which are set out in the section headed “Consideration Shares” in this announcement
<b>“Director(s)”</b>	the Director(s) of the Company
<b>“Deposit Shares”</b>	the First Period Deposit Shares, the Second Period Deposit Shares and/or the Third Period Deposit Shares
<b>“Escrow Agent”</b>	the escrow agent under the Escrow Agreement
<b>“Escrow Agreement”</b>	the escrow agreement to be signed among the Purchaser, the Vendor and the Escrow Agent in relation to the Deposit Shares
<b>“First Guaranteed Period”</b>	the period commencing from 1 January 2010 and ending on 31 December 2010

<b>“First Period Deposit Shares”</b>	the Deposit Shares for the First Guaranteed Period, the number of which is 59,113,000
<b>“First Period Guaranteed Profit”</b>	the net profit of the Target Company guaranteed for the First Guaranteed Period, being RMB7,000,000 (equivalent to approximately HK\$7,945,000)
<b>“General Mandate”</b>	the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 12 December 2008, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting
<b>“Group”</b>	the Company and its subsidiaries
<b>“Guaranteed Period(s)”</b>	the First Guaranteed Period, the Second Guaranteed Period and/or the Third Guaranteed Period
<b>“Guaranteed Profit”</b>	the First Period Guaranteed Profit, the Second Period Guaranteed Profit and/or the Third Period Guaranteed Profit
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	Hong Kong Special Administrative Region of the PRC
<b>“Issue Price”</b>	the issue price of the Consideration Shares, being HK\$0.112 per Consideration Share
<b>“Last Trading Day”</b>	4 December 2009, being the last trading day for the Shares before the date of this announcement
<b>“Listing Committee”</b>	the Listing Committee of the Stock Exchange
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“PRC”</b>	the People’s Republic of China
<b>“PRC Acquisition Agreement”</b>	an acquisition agreement governed by PRC law to be entered into between the Purchaser and the Vendor for the transfer of Sale Interest
<b>“Purchaser”</b>	Capital Goal Trading Limited, a company incorporate in Hong Kong with limited liability, a

	wholly-owned subsidiary of the Company
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Sale Interest”</b>	70% of the registered share capital in the Target Company, which will be held by the Vendor after the completion of the Target Branch Restructuring
<b>“Second Guaranteed Period”</b>	the period commencing from 1 January 2011 and ending on 31 December 2011
<b>“Second Period Deposit Shares”</b>	the Deposit Shares for the Second Guaranteed Period, the number of which is 118,226,000
<b>“Second Period Guaranteed Profit”</b>	the net profit of the Target Company guaranteed for the Second Guaranteed Period, being RMB14,000,000 (equivalent to approximately HK\$15,890,000)
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.01 each in the share capital of the Company
<b>“Shareholder(s)”</b>	holders of Share(s)
<b>“Shareholders’ Agreement”</b>	a shareholders’ agreement to be entered into by the Purchaser and the Vendor
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Target Branch”</b>	Beijing Jianong Yongxing Agricultural Production Materials Co., Ltd. Fuxin Branch (北京佳農永興農業生產資料有限責任公司阜新分公司), a branch set up by the Vendor in the PRC
<b>“Target Branch Restructuring”</b>	the restructuring process to be carried out by the Vendor to convert the Target Branch into the Target Company
<b>“Target Company”</b>	a limited liability company to be set up by the Vendor through the Target Branch Restructuring, the entire equity interest of which shall be owned by the Vendor on its establishment
<b>“Third Guaranteed Period”</b>	the period commencing from 1 January 2012 and ending on 31 December 2012
<b>“Third Period Deposit Shares”</b>	the Deposit Shares for the Third Guaranteed Period, the number of which is 177,339,000

<b>“Third Period Guaranteed Profit”</b>	the net profit of the Target Company guaranteed for the Third Guaranteed Period, being RMB28,000,000 (equivalent to approximately HK\$31,780,000)
<b>“Vendor”</b>	Beijing Jianong Yongxing Agricultural Production Materials Co., Ltd. (北京佳農永興農業生產資料有限責任公司), a company incorporated in the PRC with limited liability

*\* For identification purposes only*

For illustrative purposes, amounts in RMB in this announcement have been translated into HK\$ at RMB1=HK\$1.135. No representation is made that any amount in RMB could have been or could be converted at such rate or any other rates.

By Order of the Board  
Benefun International Holdings Limited  
**Kam Yuen**  
*Chief Executive Officer  
and Executive Director*

Hong Kong, 7 December 2009

*As at the date of this announcement, the Board comprises five executive directors, namely Mr. Tan Sim Chew (Chairman), Ms. Kam Yuen (Chief Executive Officer), Mr. Kwok Wai, Wilfred, Mr. Leung Kwong Choi and Mr. Lo King Fat, Lawrence; and three independent non-executive directors, namely Mr. Cheung Ngai Lam, Mr. Wong Kwai Sang and Mr. Christopher David Thomas.*