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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

PLACING AGENT



KINGSTON SECURITIES LIMITED

The Company has conditionally agreed to place, through the Placing Agent on best effort basis, 200,000,000 Placing Shares to independent investors at a price of HK\$0.042 per Placing Share. In the event that the actual placing size is less than 200,000,000 Placing Shares, a further announcement will be made by the Company upon the completion of the Underwriting Agreement.

The Placing Shares represent about 17.67% of the existing issued share capital of the Company of 1,131,929,000 Shares and about 15.02% of the Company's issued share capital of 1,331,929,000 Shares as enlarged by the Placing.

The gross proceeds from the Placing will be HK\$8.4 million. The net proceeds of about HK\$8 million from the Placing will be used as working capital of the Group.

The Placing Price of HK\$0.042 represents (i) a discount of about 12.5% to the closing price of HK\$0.048 per Share as quoted on the Stock Exchange on 14 October 2004, being the last trading day before this announcement; (ii) a discount of about 12.13% to the average of the closing price per Share of HK\$0.0478 as quoted on the Stock Exchange for the last five trading days ended 14 October 2004, being the last trading day before this announcement, and (iii) a discount of about 44.22% of the net asset value per Share of HK\$0.0753 as at 30th June, 2003, the latest audited financial information.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable based on the current market condition and in the interests of the Company and its Shareholders as a whole.

The Placing is conditional upon, among other things, the Stock Exchange granting listing of and permission to deal in the Placing Shares.

The Placing is subject to termination on the occurrence of, amongst other things, any event of force majeure (which include events set out in greater detail below) at or before 10:00 a.m. on the completion date of the Placing.

THE PLACING AGREEMENT DATED 14 OCTOBER 2004

Issuer

Benefun International Holdings Limited

Placing Agent

The Placing Agent has conditionally agreed to place in aggregate 200,000,000 Placing Shares on best effort basis and will receive a placing commission of 1.0% on the gross proceeds of the Placing.

The Placing Agent and its beneficial owners are not connected persons (as defined in Listing Rules) of the Company and are independent third parties not connected with or acting in concert with any of the directors, chief executive or substantial shareholders of the Company, or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Placees

The Placing Shares will be placed to not fewer than six placees. The Placees and their respective ultimate beneficial owners will be independent of and not connected with or acting in concert with the Company, any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates (as defined in the Listing Rules).

Placing Shares

The Placing Shares represent (i) about 17.67% of the existing issued share capital of the Company of 1,131,929,000 Shares as at the date of this announcement; and (ii) about 15.02% of the issued share capital of the Company of 1,331,929,000 as enlarged by the Placing.

In the event that the actual placing size is less than 200,000,000 Placing Shares, a further announcement will be made by the Company upon the completion of the Underwriting Agreement.

The Placing Shares will rank, upon issue, pari passu in all respect with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.042 represents (i) a discount of about 12.5% to the closing price of HK\$0.048 per Share as quoted on the Stock Exchange on 14 October 2004, being the last trading day before this announcement; (ii) a discount of about 12.13% to the average of the closing price per Share of HK\$0.0478 as quoted on the Stock Exchange for the last five trading days ended 14 October 2004, being the last trading day before this announcement, and (iii) a discount of about 44.22% of the net asset value per Share of HK\$0.0753 as at 30th June, 2003, the latest audited financial information.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable based on the current market condition and will be more attractive for the potential investors and in the interests of the Company and its Shareholders as a whole.

General Mandate

The Placing Shares will be issued under the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 12 December 2003. As at the date of this announcement, none of the new Shares has been issued under the General Mandate.

Conditions of the Placing

Completion of the Placing is conditional upon, among other things:

- (i) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares;
- (ii) the Company obtaining all consents and approvals from the relevant authorities, if applicable; and
- (iii) the obligation of the Placing Agent becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

None of the above conditions can be waived by the Company and the Placing Agent.

Termination and force majeure

The Placing Agreement may be terminated by the Placing Agent if at any time at or before 10:00 a.m. on the date for completion of the Placing Agreement, there occurs:

- (i) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing of the Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or**
- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the sole and absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or**
- (iv) any change in the circumstances of the Company or any members of the Group which may adversely affect the prospect of the Group; or**
- (v) any incidence which, in the absolute opinion of the Placing Agent, may cause the Placing inadvisable to process.**

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

Completion of the Placing

Completion of the Placing is expected to take place on or before the third Business Day after the fulfillment of all the conditions set out in the Placing Agreement that is on or before 12 November 2004, or such later date as may be agreed by the Company and the Placing Agent.

Reasons for the Placing

The Directors considered various ways of raising funds and consider that the Placing represents an opportunity to raise capital for the Company while broadening the shareholder base and the capital base of the Company.

In addition, according to the latest unaudited management account, the Directors consider that the Group has a relatively low working capital for its operating activities. Improving the Group's liquidity by the Placing is therefore in the interests of the Company and its Shareholders as a whole.

Use of net proceeds

The net proceeds of about HK\$8 million from the Placing will be used as general working capital of the Group. The net proceeds raised per Share upon the completion of the Placing will be about HK\$0.04 per Share.

Effect on Shareholding Structure

The existing shareholding structure of the Company and the shareholding structure of the Company upon issue of the Placing Shares are set out as below:

Name of Shareholders	Existing shareholding (Shares)	Per cent. (%)	Shareholding immediately after the Placing (Shares)	Per cent. (%)
Mr. Tan	247,965,226	21.91%	247,965,226	18.62%
Public shareholders				
– the Placees	–	–	200,000,000	15.02%
– other public shareholders	883,963,774	78.09%	883,963,774	66.37%
Total	<u>1,131,929,000</u>	<u>100.00%</u>	<u>1,331,929,000</u>	<u>100.00%</u>

Application for listing

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

General

The Group is principally engaged in the manufacturing, retailing and distribution of apparel. The Directors consider the terms of the Placing Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group did not have any capital raising activities for the past 12 months immediately before the date of this announcement.

Terms and definitions

“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong
“Company”	Benefun International Holdings Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tan”	Mr. Tan Sim Chew, the chairman and the largest shareholder of the Company
“Placees”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligation hereunder
“Placing”	the placing of 200,000,000 new Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance and asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	a conditional placing agreement entered into between the Company and the Placing Agent dated 14th October 2004 in relation to the Placing
“Placing Price”	HK\$0.042 per Placing Share
“Placing Shares”	an aggregate of 200,000,000 Shares to be placed pursuant to the terms of the Placing Agreement
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
BENEFUN INTERNATIONAL HOLDINGS LIMITED
Tan Sim Chew
Chairman

Hong Kong, 14 October 2004

As at the date hereof, the Board comprises seven directors of which Messrs. TAN Sim Chew, CHEN Miao Zhu, Fu Zi Cong and LO King Fat, Lawrence as executive directors; and Messrs. WONG Kwai Sang, TSANG Chun Pong and LI Chun Ming, Raymond as independent non-executive directors.

* *for identification purposes only*

Please also refer to the published version of this announcement in The Standard.