
THIS DOCUMENT 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 other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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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)

**PROPOSALS INVOLVING GENERAL MANDATE TO ISSUE SHARES,
AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND
RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

The notice convening an annual general meeting of Benefun International Holdings Limited (the "Company") to be held at Room M5, 4th Floor, Opulent Building, 402-406 Hennessy Road, Wanchai, Hong Kong on Friday, 15 December 2006 at 3:15 p.m. is set out on pages 8 to 10 of this circular. Shareholders are advised to read the notice and to complete and return the accompanying form of proxy for use at the annual general meeting in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude the shareholders from attending and voting at the meeting if they so wish.

Hong Kong, 27 October 2006

* For identification purpose only

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at Room M5, 4th Floor, Opulent Building, 402-406 Hennessy Road, Wanchai, Hong Kong on Friday, 15 December 2006 at 3: 15 p.m., notice of which is set out on pages 8 to 10 of this circular
“Articles of Association”	the articles of association of the Company as amended, supplemented or modified from time to time
“Company”	Benefun International Holdings Limited, a company incorporated in the Cayman Islands with its Shares listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Latest Practicable Date”	23 October 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent



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)

Executive Directors:

Mr. Tan Sim Chew (*Chairman*)
Mr. Zhong Ma Ming (*Managing Director*)
Mr. Fu Zi Cong
Mr. Lo King Fat, Lawrence

Independent Non-Executive Directors:

Mr. Wong Kwai Sang, Kays
Mr. Tsang Chun Pong
Mr. Li Chun Ming, Raymond

Registered Office:

Ugland House
South Church Street
Post Office Box 309
George Town, Grand Cayman
Cayman Islands
British West Indies

Principal place of business:

1-18 Xinhe Industrial Park,
Dainqian Huli,
Xiamen
China

Hong Kong office:

23rd Floor
Sing Ho Finance Building
166-168 Gloucester Road
Wanchai, Hong Kong

Hong Kong 27 October 2006

To the Shareholders,

Dear Sir or Madam,

**PROPOSALS INVOLVING GENERAL MANDATE TO ISSUE SHARES,
AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND
RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

GENERAL MANDATE TO ISSUE SHARE

At the annual general meeting of the Company held on 16 December 2005, a general mandate was given by the Company to the Directors to exercise the powers of the Company to issue Shares. Such general mandate will lapse at the Annual General Meeting.

* *For identification purpose only*

LETTER FROM THE CHAIRMAN

The Directors propose to seek your approval of an ordinary resolution to be proposed at the Annual General Meeting for granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company at the date of the resolution.

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,331,929,000 Shares. Subject to the passing of the ordinary resolution approving the general mandate to issue Shares and on the basis that no further Shares are issued prior to the Annual General Meeting, the Company would be allowed under the general mandate to issue 266,385,800 Shares, representing 20% of the issued share capital as at the Latest Practicable Date. The Directors wish to state that they have no immediate plan to issue any new Shares pursuant to the general mandate. The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to issue Shares at such time as the Directors thinks fit without the need to convene a general meeting to approve issue of Shares.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Your attention is drawn to the Special Resolution to approve amendments to Article 106(vii) and Article 122(a) of the Articles of Association which is proposed because of recent amendments to the Listing Rules.

The proposed amendments, if duly approved, will have the effect that a Director may be removed by an ordinary resolution (instead of a special resolution) of members at a general meeting of the Company.

RE-ELECTION OF RETIRING DIRECTORS

The Board of Directors currently consists of seven Directors, namely Mr. Tan Sim Chew, Mr. Zhong Ma Ming, Mr. Fu Zi Cong, Mr. Lo King Fat, Lawrence, Mr. Wong Kwai Sang, Kays and Mr. Tsang Chun Pong and Mr. Li Chun Ming, Raymond.

Pursuant to the existing Articles of Association, Mr. Tan Sim Chew, Mr. Zhong Ma Ming, Mr. Fu Zi Cong and Mr. Li Chun Ming, Raymond shall retire from office at the Annual General Meeting and shall be eligible for re-election. Details of the Directors proposed to be re-elected at the Annual General Meeting are set out in Appendix to this circular.

ANNUAL GENERAL MEETING

At the Annual General Meeting, resolutions will be proposed to the Shareholders in respect of ordinary businesses to be considered at the Annual General Meeting, including the re-election of the retiring Directors, and special businesses, being the ordinary resolution to approve the general mandate to issue Shares and the special resolution to approve the amendments to the existing Articles of Association. The notice of Annual General Meeting is set out on pages 8 to 10 of this circular.

LETTER FROM THE CHAIRMAN

ACTION TO BE TAKEN

A form of proxy for use at the Annual General Meeting is enclosed with this circular. If you do not propose to attend the Annual General Meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the head office and principal place of business of the Company at 23rd Floor, Sing Ho Finance Building, 166-168 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Annual General Meeting or any adjourned meeting if they so desire.

RIGHT TO DEMAND A POLL

Pursuant to existing Article 80 of the Articles of Association, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required the Listing Rules or any other applicable laws, rules or regulations or unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (a) the chairman of such meeting; or
- (b) at least five Shareholders present in person or by proxy and entitled to vote; or
- (c) any Shareholder or Shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) any Shareholder or Shareholders present in person or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

RECOMMENDATION

The Directors consider that the proposed general mandate to issue Shares, the proposed amendments to the existing Articles of Association and the proposed re-election of the retiring Directors are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions to be proposed at the Annual General Meeting to give effect to them.

Yours faithfully,
TAN Sim Chew
Chairman

1. **Mr. Tan Sim Chew**, aged 59, is the founder and Chairman of the Group which was established in 1986. Mr. Tan is responsible for the overall management and strategic planning of the Group. He has over 25 years of experience in the apparel distribution and manufacturing business.

Mr. Tan is a director of a number of subsidiaries of the Company and is the chairman of the Board of Directors of the Company. Mr. Tan does not hold any directorship in other listed public companies in the last three years and save as disclosed above, he does not hold any other position with the Company and other members of the Company's group.

There is no service contract between the Company and Mr. Tan. He has no fixed term of service with the Company but will subject to re-election requirements at the annual general meeting pursuant to the Bye-laws of the Company. There is no agreement on the amount of the remuneration payable to Mr. Tan. His remuneration will be reviewed annually by the Board with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation. For the year ended 30 June 2006, total emoluments paid to Mr. Tan amounted to HK\$995,000.

Save as disclosed, Mr. Tan is and was not connected with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Tan is interested in 261,965,226 shares, representing 19.67% of the issued share capital, and 13,300,000 share options of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

2. **Mr. Zhong Ma Ming**, aged 46, was appointed a Director and Managing Director of the Company in 2006. He had been the deputy general manager of Fun Corporation, our operating company in the PRC. He joined the Group in 1990 and has been responsible for the management and expansion of our retailing operation nationwide in the PRC. He has more than 20 years' experience in retailing management.

Mr. Zhong does not hold any directorship in other listed public companies in the last three years and save as disclosed above, he does not hold any other position with the Company and other members of the Company's group.

There is no service contract between the Company and Mr. Zhong. He has no fixed term of service with the Company but will subject to re-election requirements at the annual general meeting pursuant to the Bye-laws of the Company. There is no agreement on the amount of the remuneration payable to Mr. Zhong. His remuneration will be reviewed annually by the Board with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation. For the year ended 30 June 2006, total emoluments paid to Mr. Zhong amounted to HK\$129,000.

Save as disclosed, Mr. Zhong is and was not connected with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Zhong does not have any interest in Shares within the meaning of Part XV of the SFO.

3. **Mr. Fu Zi Cong**, aged 49, was appointed an executive director in 1997. Mr. Fu joined the Group in 1989 and is the financial controller of Fun Corporation, a subsidiary of the Company. He has over 15 years of experience in financial management. Prior to joining Fun Corporation, Mr. Fu was a finance manager with a trading company. He holds a diploma in business accounting.

Mr. Fu is a director of a number of subsidiaries of the Company. Save as disclosed herein, he does not hold any other position with the Company or other members of the Group of the Company.

Mr. Fu does not hold any directorship in other listed public companies in the last three years and save as disclosed above, he does not hold any other position with the Company and other members of the Company's group.

There is no service contract between the Company and Mr. Fu. He has no fixed term of service with the Company but will subject to re-election requirements at the annual general meeting pursuant to the Bye-laws of the Company. There is no agreement on the amount of the remuneration payable to Mr. Fu. His remuneration will be reviewed annually by the Board with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation. For the year ended 30 June 2006, total emoluments paid to Mr. Fu amounted to HK\$742,000.

Save as disclosed, Mr. Fu is and was not connected with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Fu is interested in 574,000 shares, representing 0.04% of the issued share capital, and 13,300,000 share options of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

4. **Mr. Li Chun Ming, Raymond**, aged 50, was appointed an independent non-executive director in 2004. He is also a member of audit committee and remuneration committee of the Company.

Mr. Li is a senior manager of Tony C. M. Yau & Company, Certified Public Accountants. He holds a diploma in accountancy from the Polytechnic. He is an associate member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of International Accountants. He has nearly 25 years experience in accounting, auditing, taxation and corporation advisory services.

Mr. Li does not hold any directorship in other listed public companies in the last three years and save as disclosed above, he does not hold any other position with the Company and other members of the Company's group.

Mr. Li is appointed as an independent non-executive Director for a term until 29 September 2007 and subject to the retirement and re-election requirements at annual general meeting pursuant to the Bye-laws of the Company.

Mr. Li is entitled to a directors' fee of HK\$60,000 per annum. His remuneration has been determined with reference to his duties and responsibilities with the Company, the Company's performance and the market situation.

Mr. Li is and was not connected with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Li does not have any interest in Shares within the meaning of Part XV of the SFO.

In connection with the re-election of the above directors, that there is no information which is discloseable nor are/were they involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rules 13.51(2)(h) to 13.51(2)(w) of the Listing Rules.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting of the Company will be held at Room M5, 4th Floor, Opulent Building, 402-406 Hennessy Road, Wanchai, Hong Kong on Friday, 15 December 2006 at 3:15 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 30 June 2006.
2. To re-elect directors and to authorise the board of directors to fix the remuneration of directors.
3. To appoint auditors and to authorise the board of directors to fix the remuneration of auditors.
4. As special business to consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) subject to paragraph (c) hereof, the exercise by the directors of the Company during the Relevant Period (as defined below) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which will or may require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval mentioned in paragraph (a) hereof shall authorise the directors of the Company during the Relevant Period (as defined below) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which will or may require the exercise of such power after the end of the Relevant Period;

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NOTICE OF ANNUAL GENERAL MEETING

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval mentioned in paragraph (a) hereof, otherwise than pursuant to shares of the Company issued as a result of (i) a Rights Issue (as defined below) or (ii) any scrip dividend or similar arrangement providing for allotment of shares of the Company in lieu of the whole or part of the dividend on shares in accordance with the Company's Articles of Association or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares of the Company open for a period fixed by the directors of the Company to holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

NOTICE OF ANNUAL GENERAL MEETING

5. As special business to consider and, if thought fit, to pass the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

“ **THAT** the Articles of Association of the Company be and are hereby amended by deleting the words “a special resolution” in the Article 106(vii) and the words “special resolution” in the Article 122(a) and its marginal note; and substituting therefor the words “an ordinary resolution. ”

By Order of the Board
LO King Fat, Lawrence
Secretary

Hong Kong, 27 October 2006

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed or notarially certified copy of such power or authority must be deposited at the head office and principal place of business of the Company at 23rd Floor, Sing Ho Finance Building, 166-168 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.