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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 or transferred 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 FOR
ADOPTION OF NEW SHARE OPTION SCHEME
AND
TERMINATION OF EXISTING SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A Letter from the board of directors of Benefun International Holdings Limited is set out on pages 4 to 7 of this circular.

The notice convening the extraordinary general meeting of Benefun International Holdings Limited to be held at Room M5, 4th Floor, Opulent Building, 402-406 Hennessy Road, Wanchai, Hong Kong on Friday, 16 December 2005 at 3:45 p.m. is set out on pages 17 to 19 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are advised to read the notice and to complete and return the accompanying form of proxy for use at the extraordinary general meeting in accordance with the instructions printed thereon to the Hong Kong Office 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. 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, 26 October 2005

* For identification purpose only

CONTENTS

	<i>Pages</i>
Definitions	1-3
Letter from the Board	4-7
Appendix – Principal Terms of the New Share Option Scheme	8-16
Notice of Extraordinary General Meeting	17-19

DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme is adopted by resolution of the Company in the Extraordinary General Meeting
“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, 16 December 2005
“Articles of Association”	the articles of association of the Company as amended, supplemented or modified from time to time
“associates”	has the meaning ascribed to it in the Listing Rules
“Auditors”	the auditors for the time being of the Company
“Board”	means the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the business of dealing in securities
“chief executive”	has the meaning ascribed to it in the Listing Rules
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“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
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted by the Company in its general meeting on 5 May 1997
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at Room M5, 4th Floor, Opulent Building, 402-406, Hennessy Road, Wanchai, Hong Kong on Friday, 16 December 2005 at 3:45 p.m. immediately after the close of the Annual General Meeting and convened pursuant to the notice of such meeting contained in this circular

DEFINITIONS

“Grantee”	an eligible person limited to Participant who accepts an offer of the grant of an Option in accordance with the terms of the New Share Option Scheme or (where the context so permits) the legal personal representatives of such Grantee and, where the context so requires, an eligible person limited to Participant to whom an offer of the grant of Options is made by the Company and which offer has not been withdrawn or lapsed or rejected
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Latest Practicable Date”	24 October 2005, 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
“New Share Option Scheme”	the share option scheme in its present or any amended form proposed to be adopted by the Company at the Extraordinary General Meeting, a summary of the principal terms of which is set out in the Appendix to this circular
“Offer”	the offer of the grant of an Option made by the Board in accordance with the New Share Option Scheme
“Option”	an option to subscribe for Share granted pursuant to the terms of the New Share Option Scheme from time to time
“Participant”	means (i) any executive or non-executive directors of the Group (or persons proposed to be appointed as such) or any employees of the Group; (ii) any discretionary object of a discretionary trust established by any employee, executive or non-executive director of the Group; (iii) any consultant(s) and professional adviser(s) to the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) chief executive or substantial shareholder of the Company; and (v) associates of Directors, chief executive or substantial shareholder of the Company
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Shares

DEFINITIONS

“Subscription Price”	means the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option as described in the New Share Option Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules and “subsidiaries” shall be construed accordingly
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“\$”	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*)

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

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

26 October 2005

To the Shareholders,

Dear Sir or Madam,

**PROPOSALS FOR
ADOPTION OF NEW SHARE OPTION SCHEME
AND
TERMINATION OF EXISTING SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding the proposed adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme and to give you

* For identification purpose only

LETTER FROM THE BOARD

notice of the Extraordinary General Meeting to be held at Room M5, 4th Floor, Opulent Building, 402-406 Hennessy Road, Wanchai, Hong Kong on Friday, 16 December 2005 at 3:45 p.m. at which Shareholders will be asked to consider and, if though fit, approve the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme.

The Directors believe that having a skilled and experienced workforce is a key element to the success and growth of the Group. The Directors believe that the ability to grant share options is a useful and beneficial tool and the incentive from holding share options will help the Group in motivating, amongst others, the Participant to contribute positively to the success of the Group and encourage suitably qualified personnel to join the Group. The New Share Option Scheme will be used to provide incentives to Grantees to contribute to the future growth and success of the Group.

ADOPTION OF NEW SHARE OPTION SCHEME AND TERMINATION OF EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme was adopted by the Company on 5 May 1997 will expire on 4 May 2007.

Since the adoption of the Existing Share Option Scheme, amendments have been made by the Stock Exchange to Chapter 17 of the Listing Rules concerning share option schemes of companies that are listed on the Stock Exchange. Amendments to the terms of the Existing Share Option Scheme to comply with the requirements of the amended Chapter 17 of the Listing Rules would be required before any options could be issued by the Company under the Existing Share Option Scheme.

For the purposes of administrative convenience, the Board proposes to adopt the New Share Option Scheme (the terms of which comply with the requirements of Chapter 17 of the Listing Rules) instead of amending the terms of the Existing Share Option Scheme. The New Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules. No Options have been granted or agreed to be granted by the Company under the New Share Option Scheme.

The adoption of the New Share Option Scheme is subject to the approval of the Shareholders at the Extraordinary General Meeting and the approval of the Listing Committee of the Stock Exchange to the listing of, and permission to deal in, the Shares to be issued upon the exercise of Options granted under the New Share Option Scheme. Application will be made to the Stock Exchange for the grant of listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Options granted under the New Share Option Scheme to the extent of 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme.

It is proposed that subject to the adoption of the New Share Option Scheme becoming unconditional, the Existing Share Option Scheme be terminated with effect from the adoption of the New Share Option Scheme. The outstanding 78,000,000 share options under the Existing Share Option Scheme have been granted to Mr. Tan Sim Chew (Executive Director), Mr. Chen Miao Zhu (Executive Director), Mr. Fu Zi Chong (Executive Director), Mr. Lo King Fat (Executive Director), Mr. Tan Han San (Manager) and Mr.

LETTER FROM THE BOARD

Chan Yiu Kuen (Manager) (“the said Grantees”) but remain unexercised. The exercisable date of the outstanding share options is determined on 17 February 2006 and will expire on 16 February 2009. The below is the summary of the outstanding share options:–

Name	Number of Shares	Approximate % of the Shares in issue as at the Latest Practicable Date	Exercise price per Share (\$)
Mr. Tan Sim Chew	13,000,000	0.976%	0.058
Mr. Chen Miao Zhu	13,000,000	0.976%	0.058
Mr. Fu Zi Chong	13,000,000	0.976%	0.058
Mr. Lo King Fat	13,000,000	0.976%	0.058
Mr. Tan Han San	13,000,000	0.976%	0.058
Mr. Chan Yiu Kuen	13,000,000	0.976%	0.058

Notwithstanding the said outstanding share options, the Company has reached a mutual agreement with the said Grantees that once the Existing Share Option Scheme is terminated, the said outstanding share options will also cease accordingly since the exercisable date is on 17 February 2006 and therefore, the Company does not expect any of the said outstanding share options will be exercised if the New Share Option Scheme is duly approved at the Extraordinary General Meeting on 16 December 2005.

As at the Latest Practicable Date, the issued share capital of the Company comprised of 1,331,929,000 Shares. Assuming there is no change to the issued share capital of the Company in the period commencing from the Latest Practicable Date to the date of the Extraordinary General Meeting when Shareholders will be asked to consider and, if though fit, approve the resolution to adopt the New Share Option Scheme, the total number of Shares that may be issued in respect of Options granted under the New Share Option Scheme will be 133,192,900 Shares, representing 10% of the total number of Shares in issue at the Extraordinary General Meeting (assuming no change to the issued share capital of the Company as mentioned before).

A summary of the principal terms of the New Share Option Scheme is set out in the Appendix to this circular. This serves as a summary of the principal terms of the New Share Option Scheme but does not constitute its full terms. The complete terms of the New Share Option Scheme are available for inspection at the Hong Kong Office of the Company in Hong Kong at 23rd Floor, Sing Ho Finance Building, 166-168 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the Extraordinary General Meeting and at the Extraordinary General Meeting itself.

An announcement will be published in the newspapers by the Company on the Business Day following the Extraordinary General Meeting with details of the outcome in respect of the adoption of the New Share Option Scheme at the Extraordinary General Meeting.

LETTER FROM THE BOARD

NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting to be held at Room M5, 4th Floor, Opulent Building, 402-406 Hennessy Road, Wanchai, Hong Kong on Friday, 16 December 2005 at 3:45 p.m. is set out on pages 17 to 19 of this circular. At the Extraordinary General Meeting, ordinary resolutions will be proposed (i) to approve the New Share Option Scheme and authorize the Directors to grant Options thereunder and to allot and issue new Shares pursuant to the exercise of Options granted under the New Share Option Scheme and (ii) subject to the approval of the adoption of the New Share Option Scheme becoming unconditional, to terminate the Existing Share Option Scheme.

A form of proxy is enclosed with this circular for use at the Extraordinary General Meeting. Whether or not you are able to attend the extraordinary general meeting, you are advised to read the notice and to complete and return the accompanying form of proxy for use at the Extraordinary General Meeting in accordance with the instructions printed thereon to the Hong Kong Office 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. Completion and return of the form of proxy will not preclude the shareholders from attending and voting at the meeting if they so wish.

RECOMMENDATION

The Directors consider that the adoption of the New Share Option Scheme to be in the interests of the Company and its Shareholders as a whole and, accordingly, recommend Shareholders to vote in favour of the ordinary resolutions set out in the notice contained in this circular and to be proposed at the Extraordinary General Meeting.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purposes 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 circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully,
By Order of the Board
TAN Sim Chew
Chairman

The following is a summary of the principal terms of the New Share Option Scheme:

1. PURPOSE OF THE NEW SHARE OPTION SCHEME

The purpose of the New Share Option Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating, and/or providing benefits to the Participant and to provide the Participant with the opportunity to acquire a personal stake in the Group and to build common objectives of the Group and the Participant for the betterment of business and profitability of the Group and its shareholders as a whole.

2. WHO MAY JOIN

The Board may offer Options under the New Share Option Scheme to any Participant in its sole discretion. Participant include (i) any executive or non-executive directors of the Group (or persons proposed to be appointed as such) or any employees of the Group; (ii) any discretionary object of a discretionary trust established by any employee, executive or non-executive director of the Group; (iii) any consultant(s) and professional adviser(s) to the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) chief executive or substantial shareholder of the Company; and (v) associates of Directors, chief executive or substantial shareholder of the Company.

3. MAXIMUM NUMBER OF SHARES

- 3.1 The total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme unless the Company obtains a fresh approval from its Shareholders pursuant to sub-clause 3.2 hereof. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating such 10% limit.
- 3.2 The Company may seek approval of its Shareholders in general meeting to refresh the 10% limit set out in sub-clause 3.1 hereof such that the total number of Shares in respect of which Option may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the New Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or exercised Options) will not be counted for the purpose of calculating such 10% limit.
- 3.3 The Company may seek separate approval by its Shareholders in general meeting for granting Options beyond the 10% limit set out in sub-clause 3.1 or sub-clause 3.2 hereof (as the case may be) provided the Options in excess of such limit are granted only to Participant specifically identified by the Company before such approval is sought. In such a case, the Company shall send a circular to its Shareholders containing, amongst other terms, a generic description of the specified Participant who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Participant and an explanation as to how these Options serve such purpose.

- 3.4 Notwithstanding anything in sub-clauses 3.1 to 3.3 hereof and subject to the New Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time.
- 3.5 Subject to the New Share Option Scheme, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- 3.6 Notwithstanding sub-clause 3.5 hereof, any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his or her associates abstaining from voting. The number and terms of the Options to be granted to such Participant shall be fixed before Shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price. The Company shall send to the Shareholders a circular disclosing the identity of such Participant, the number and the terms of the Options to be granted and other information as required by the Listing Rules.

4. PERFORMANCE TARGET

Unless otherwise determined by the Board and specified at the time of grant of the Option, there is neither any performance targets needed to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before it can be exercised.

5. SUBSCRIPTION PRICE

The Subscription Price shall be a price determined by the Board and notified to a Participant and shall be at least the highest of:-

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Offer is made to a Participant, which must be a Business Day ("Offer Date");
- (ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share.

6. RIGHTS ARE PERSONAL TO GRANTEE

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee.

7. OPTIONS GRANTED TO DIRECTORS, CHIEF EXECUTIVE OR SUBSTANTIAL SHAREHOLDERS

7.1 Any grant of Options to a Participant who is a director, chief executive or substantial shareholder of the Company or their respective associates must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is the Grantee).

7.2 If the Board proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:–

- (i) representing in aggregate more than 0.1% of the total number of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of \$5,000,000.

such proposed grant of Options must be approved by the Shareholders of the Company in general meeting with all connected persons (with the meaning as ascribed under the Listing Rules) of the Company abstain from voting (except where any connected person may vote against the relevant resolution). In such a case, the Company shall send a circular to its Shareholders containing all those terms as required under the Listing Rules. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

8. GRANT OF OPTIONS

8.1 On and subject to the terms of the New Share Option Scheme, the Board shall be entitled at any time, within 10 years after Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may determine at the Subscription Price.

8.2 Any grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published in the newspapers. In particular, no Option during the period commencing one month immediately preceding the earlier of:–

- (i) date of the Board meeting for the approval of the Company's published results for (a) any year and half-year period, and (b) where the Company has elected to publish them, any quarterly or other interim period; and
- (ii) deadline for the Company to publish an announcement of its results for (a) any year or half-year period as required under the Listing Rules, and (b) where the Company has elected to publish them, any quarterly or other interim period,

and ending on the date of the announcement of the results for the year, half year, quarterly or other interim period (as the case may be).

8.3 An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Option on the terms as the Board may think fit and to be bound by the provisions of the New Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of 28 days from the date upon which the Option is made or such longer or shorter period as the Board may in its absolute discretion determine.

8.4 An Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the Option duly signed by the Grantee together with a remittance in favour of the Company of \$1.00 by way of consideration for the granting thereof is received by the Company. Such remittance shall in no circumstances be refundable.

8.5 Any Offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within 28 days in the manner indicated in sub-clause 8.4 hereof, it will be deemed to have been irrevocably declined.

8.6 Subject to the provisions of the New Share Option Scheme and the requirements of the Listing Rules, the Board may at its discretion when making the Offer impose any conditions, restrictions or limitations in relation thereto as it may think fit.

9. TIME OF EXERCISE OF AN OPTION

An Option may be exercised in whole or in part by a Grantee in accordance with the terms of the New Share Option Scheme at any time during the “Option Period” of such Option, which period shall be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised, and in any event such period shall not be longer than 10 years from the date upon which such Option is granted.

10. CANCELLATION OF OPTION

The Company by resolution in general meeting or the Board may at any time cancel any option granted but not exercised. Where the Company cancels Option and offers new Option to the same Option holder, the offer of such new Option may only be made under the New Share Option Scheme with available Option to the extent not yet granted (excluding the cancelled Options) within the limit approved by the Shareholders in accordance with the New Share Option Scheme.

11. VOTING AND DIVIDEND RIGHTS

No voting rights shall be exercisable and no dividends shall be payable in relation to Option that have not been exercised.

12. EFFECTS OF ALTERATIONS IN THE CAPITAL STRUCTURE OF THE COMPANY

In the event of a capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company whilst any option remains exercisable, such corresponding alterations (if any) shall, subject to the Options already granted and to the provisions of the New Share Option Scheme, be made to:–

- (i) number of Share subject to the Option so far as unexercised; and/or
- (ii) the Subscription Price;

as the Auditors shall at the request of the Board, certify in writing, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and satisfy the requirements set out in the note to rule 17.03(13) of the Listing Rules, provided that any such alterations shall give a Grantee the same proportion of the issued share capital of the Company as that to which he or she is previously entitled, but so that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the Auditors in this paragraph is that of experts and their certification shall be final and binding on the Company and the Grantees. The costs of the Auditors shall be borne by the Company.

13. RIGHTS ON A TAKEOVER

If a general offer by way of take-over is made to all the Shareholders and the terms and conditions of such offer have, within 4 months after the making of the offer on that behalf by the offeror, been approved by the Shareholders of not less than nine-tenths in value of the Shares whose transfer is involved (other than Shares already held at the date of the offer by, or by a nominee for, the offeror or its subsidiary), and the offeror has, pursuant to the Companies Ordinance, at any time within 2 months beginning with the date on which such approval is obtained, given notice to any dissenting shareholder that it desires to acquire the Shares, the Grantee (or his or her personal representative(s)) may by notice in writing to the Company within 21 days of such notice exercise the Option to its full extent or to the extent specified in such notice.

14. RIGHTS ON SCHEMES OF COMPROMISE OR ARRANGEMENT

If under section 166 of the Companies Ordinance a compromise or arrangement between the Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any the company or companies, the Company shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each shareholder or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his or her personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the Court, exercise any of his or her Options whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the New Share Option Scheme. The Company may require the Grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

15. RIGHTS ON A VOLUNTARY WINDING UP

In the event a notice is given by the Company to its members to convene a shareholders' meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it dispatches such notice to convene the shareholders' meeting, give notice thereof to all Grantees. Each Grantee (or his or her personal representative(s)) may by notice in writing to the Company (such notice to be received by the Company not later than 7 Business Days prior to the proposed general meeting) exercise the Option (to the extent which has become exercisable and not already exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

16. RANKING OF SHARES

Shares issued on the exercise of an Option shall rank equally in all respects with other Shares of the same class in issue at the date of their allotment (including without limitation as to voting, dividend and transfer rights and rights arising on the liquidation of the Company) and will be subject to all the provisions of the Articles of Association. They shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

17. PRESENT STATUS OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme shall take effect subject to the following conditions:-

- (i) passing of the necessary resolution to terminate the Existing Share Option Scheme by the Shareholders in general meeting;
- (ii) passing of the necessary resolution to adopt the New Share Option Scheme by the Shareholders in general meeting; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares (which will not exceed 10% of the issued share capital of the Company as at the date of the adoption of the New Share Option Scheme) to be issued and allotted pursuant to the exercise of the Options granted under the New Share Option Scheme.

18. DURATION OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme will remain in force for a period to be notified by the Board, such period not to exceed the period of ten years from the Adoption Date.

19. AMENDMENT OF THE NEW SHARE OPTION SCHEME

19.1 The New Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the New Share Option Scheme as to:-

- (i) definitions of “Grantee”, “Option Period” and “Participant”;
- (ii) the duration of the New Share Option Scheme;
- (iii) the time limit of the grant of Option;
- (iv) the occurrence of price sensitive event affecting the grant of Options;
- (v) the procedural requirements of making an Offer and accepting an Option;
- (vi) the method in determining the Subscription Price;
- (vii) the restrictions and requirements for exercising Options;
- (viii) the circumstances in which an Option shall lapse automatically;
- (ix) the rights of Grantees in the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction or any other variation of capital of the Company;
- (x) the maximum entitlement of Shares of each Participant; and
- (xi) any provisions relating to the matters contained in Rule 17.03 of the Listing Rules;

shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of the Company in general meeting.

19.2 Any alteration to the terms and conditions of the Scheme, which are of a material nature or any change to the terms of Options granted, shall be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

19.3 Any change to the authority of the directors of the Company or scheme administrators of the New Share Option Scheme in relation to any alteration to the terms of the Scheme must be approved by the shareholders of the Company in general meeting.

19.4 Any alteration of the New Share Option Scheme must comply with the Listing Rules.

20. LAPSE OF OPTIONS

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:-

- (i) expiry of the Option Period;
- (ii) the expiry of any of the period referred herein below:-
 - (a) in the event of the Grantee ceasing to be a Participant for any reason other than on his or her death or termination of his or her employment or directorship on one or more of the grounds that he or she has been guilty of misconduct, or has committed any act of bankruptcy, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty, in the event of which a resolution of the Board to the effect that the employment or directorship of a Grantee has or has not been terminated on one or more of the grounds specified in sub-clause 20(v) hereof shall be conclusive, the Grantee may exercise the Option up to his or her entitlement at the date of cessation (to the extent not already exercised), which date shall be the last actual working day with the Group whether salary is paid in lieu of notice or not or the last date of appointment as director of the Group, as the case maybe; or
 - (b) in the event the Grantee dies before exercising the Option in full and none of the events which would be a ground for termination of his or her employment or directorship on one or more of the grounds that he or she has been guilty of misconduct, or has committed any act of bankruptcy, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty, in the event of which a resolution of the Board to the effect that the employment or directorship of a Grantee has or has not been terminated on one or more of the grounds specified in sub-clause 20(v) hereof shall be conclusive, the personal representative(s) of the Grantee shall be entitled within a period of 12 months following the date of the death

of the Grantee, or such longer period as the Board may determine from the date of death, to exercise the Option up to the entitlement of such Grantee at the date of death (to the extent not already exercised).

- (iii) subject to the High Court of Hong Kong not making an order prohibiting the offeror to acquire the remaining Shares in the offer, the expiry of the period referred to in clause 13 hereof;
- (iv) subject to the scheme of arrangement or compromise becoming effective, the expiry of the period referred to in clause 14 hereof;
- (v) the date on which the Grantee ceases to be an employee or director of the Group by reason of the termination if his or her employment or directorship on the grounds that he or she has been guilty of misconduct, or has committed any act of bankruptcy, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty, in the event of which a resolution of the Board to the effect that the employment or directorship of a Grantee has or has not been terminated on one or more of the grounds specified in sub-clause 20(v) hereof shall be conclusive;
- (vi) the date on which the Grantee commits a breach of clause 6 hereof; or
- (vii) the date on which the Option is cancelled by the Company in general meeting or the Board as provided in clause 10 hereof.

21. TERMINATION

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Scheme and in such event no further Options will be offered but in all other respects the provisions of the Scheme shall remain in full force and effect in respect of any Options granted prior to such termination but not yet exercised which shall continue to be valid and exercisable subject to and in accordance with the terms of the New Share Option Scheme.



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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Benefun International Holdings Limited (the "Company") will be held at Room M5, 4th Floor Opulent Building, 402-406 Hennessy Road Wanchai, Hong Kong on Friday, 16 December 2005 at 3:45 p.m. for the purpose of considering and, if though fit, passing the following resolutions which will be proposed as ordinary resolutions of the Company:–

ORDINARY RESOLUTIONS

No. 1

1. **"THAT** subject to and conditional upon the Listing Committee of the Stock Exchange of Hong Kong Limited ("the "Stock Exchange") granting approval for the listing of, and permission to deal in, the shares of HK\$0.01 each (the "Share") in the share capital of the Company to be issued pursuant to the exercise of options which may be granted under the new share option scheme (the "Scheme", the rules of which are contained in the document marked "A" produced to the meeting and for the purposes of identification is signed by the Chairman of the meeting), the adoption of the Scheme be and is hereby approved and any director of the Company be and is hereby authorized to do all such acts and to enter into such transactions, arrangements and agreements as may be necessary or expedient in order to implement and give full effect to the Scheme including but without limitation to the generality of the foregoing:–
 - (A) power and authority to administer the Scheme and grant options under the Scheme in accordance with its terms;
 - (B) the right to modify and/or amend the Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Scheme and the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited relating to modification and/or amendment of the Scheme; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (C) the right to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options granted under the Scheme provided always that the total number of Shares subject to the Scheme, when aggregated with any Shares subject to any other share options schemes of the Company, shall not exceed 10 per cent of the relevant class of the issued share capital of the Company as at the date of passing of this ordinary resolution, but the Company may seek approval of its shareholders in general meeting to renew the 10 per cent limit under the Scheme provided that the maximum number of Shares which may be issued upon exercise of all outstanding options granted under the Scheme and any other share option schemes of the Company shall not exceed 30 per cent of the relevant class of issued share capital of the Company from time to time.”

No. 2

2. “**THAT** conditional upon the passing of the ordinary resolution specified as Resolution No.1 (“Resolutions No.1”) set out in the notice convening this meeting, the existing share option scheme of the Company which was adopted by the Company on 5 May 1997 be terminated with effect from the date on which Resolution No.1 shall become unconditional.”

By Order of the Board
LO King Fat, Lawrence
Secretary

Hong Kong, 26 October 2005

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

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. A form of proxy for use at the meeting is enclosed.
3. Where there are joint holders of a share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders is present at the meeting personally or by proxy, then one of the holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
4. 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 Hong Kong Office 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.
5. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting if you so wish. In the event that you attend the meeting after having lodged this form of proxy as indicated above, the form of proxy will be deemed to have been revoked.