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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 any other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

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

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BENEFUN INTERNATIONAL HOLDINGS LIMITED

奮發國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1130)

DISCLOSEABLE TRANSACTION

15 July 2005

* *for identification purpose only*

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DEFINITIONS

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

“Agreement”	the agreement dated 27 June 2005 entered into between PRC Company on the one part as vendor and Sing Yuan Company on the other part as purchaser relating to the disposition of the Property in the Consideration
“Board”	the board of Directors of the Company
“Company”	Benefun International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange
“Consideration”	a sum of RMB11,000,000 being the consideration for the transfer of ownership of the Property.
“Directors”	directors of the Company
“Disposition”	disposition of ownership of the Property
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	12 July 2005 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“PRC Company”	安溪星興服飾有限公司 (Anxi Sing Garments Company Limited*)
“Premises”	Four blocks of factory together with one block of dormitory located at 鳳城同美工業區 (Feng Cheng Tong Mei Industrial District*)

DEFINITIONS

“Property”	The Premises together with part of the simple equipment in the Premises
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Share Options”	The share options held by the Directors as disclosed in the interim report of the Company in 2005
“Sing Yuan Company”	安溪星源房地產開發有限公司 (Anxi Sing Yuan Property Development Limited*)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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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)

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

P.O. Box 309, George Town

Grand Cayman

Cayman Islands

British West Indies

Principal place of business:

1-18 Xinh Industrial Park

Dainqian, Huli, Xiamen, China

Hong Kong Office:

23rd Floor

Sing Ho Finance Building

166-168 Gloucester Road

Wan Chai, Hong Kong

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

Dear Sir and Madam,

**DISCLOSEABLE TRANSACTION IN RELATION TO THE
DISPOSITION OF THE PROPERTY**

1. INTRODUCTION

The Directors announce that PRC Company, a wholly owned subsidiary of the Company, entered into an Agreement with Sing Yuan Company on 27 June 2005 for the disposition of the Property in the Consideration and Sing Yuan Company shall pay the first instalment in a sum of RMB2,000,000 being the deposit within 5 working days upon execution of the Agreement. Sing Yuan Company shall pay the second instalment in a sum of RMB9,000,000 being the balance of the Consideration three days after PRC Company has caused to deliver a valid new certificate of ownership of the Premises in favour of Sing Yuan Company. The Disposition constitutes a discloseable transaction under the Listing Rules and further details are set out below. The purpose of this circular is to provide you with further information of the Disposition.

* *for identification purpose only*

LETTER FROM THE BOARD

2. THE AGREEMENT

Date and Parties

Date:	27 June 2005
Purchaser:	Sing Yuan Company, is an independent third party who is not a connected person of the Company as defined in the Listing Rules.
Vendor:	PRC Company

The Agreement

The Agreement was signed on between Sing Yuan Company as one party, and PRC Company as another party. The latter is a wholly owned subsidiary of the Company. Pursuant to the Agreement, PRC Company has agreed to dispose and transfer its ownership of the Property in the Consideration and Sing Yuan Company shall pay the first instalment in a sum of RMB2,000,000 being the deposit within 5 working days upon execution of the Agreement. Sing Yuan Company shall pay the second instalment in a sum of RMB9,000,000 being the balance of the Consideration three days after PRC Company has caused to deliver a valid new certificate of ownership of the Premises in favour of Sing Yuan Company. As at the Latest Practicable Date and by virtue of the Agreement, PRC Company has received a sum of RMB2,000,000 being the said deposit from Sing Yuan Company.

Consideration

A sum of RMB11,000,000.00 (equivalent to HK\$10,377,358.49) to be payable by Sing Yuan Company for the transfer of the ownership of the Property. The Consideration was determined after taken into consideration the net book value of the Property which is equivalent to RMB7,894,000 (equivalent to HK\$7,447,169.81) based on management account of PRC Company prepared according to accounting principles generally accepted in Hong Kong as at 31 May 2005. No valuation report of the Property has been obtained by PRC Company. The gain arising out of the disposition of the Property is estimated in the sum of RMB3,106,000 (equivalent to HK\$2,930,188.68) (RMB11,000,000 deducts RMB7,894,000). The Company will apply the intended sale proceeds as a working capital for the Group without subjecting to any particular project and/or investment plan.

Payment Terms

Pursuant to the Agreement, Sing Yuan Company shall pay the Consideration to PRC Company by way of two instalments. Sing Yuan Company shall pay the first instalment in a sum of RMB2,000,000 being the deposit within 5 working days upon execution of the Agreement. Sing Yuan Company shall pay the second instalment in a sum of RMB9,000,000 being the balance of the Consideration three days after PRC Company has caused to deliver a valid new certificate of ownership of the Premises in favour of Sing Yuan Company. No approval from any relevant authority is required for the purpose of transferring the ownership of the Property.

LETTER FROM THE BOARD

Other Terms

According to the Agreement, PRC Company is required to give warranty that there are no ongoing proceedings taken by any parties for whatsoever claims against PRC Company, which will directly or indirectly affect the transfer of the ownership of the Property from PRC Company to Sing Yuan Company. PRC Company shall (i) deliver possession of the Premises to Sing Yuan Company within 30 days upon the receipt of the Consideration in full from Sing Yuan Company and (ii) make sure that the electricity and water supplies are both available for use upon delivery of the Premises to Sing Yuan Company (except two power generators and a boiler). Any party who breaches the Agreement has to compensate for the loss and damages incurred by the other party in a sum not less than RMB3,000,000. None of the above terms shall be waived by either party according to the Agreement. As at the Latest Practicable Date, PRC Company is able to meet with all the said terms accordingly.

3. INFORMATION ON THE COMPANY, PRC COMPANY & SING YUAN COMPANY

The Company is an investment holding company and PRC Company, being a wholly owned subsidiary of the Company, is a limited liability company duly incorporated in compliance with the laws in the PRC on 5 April 2000 and has the right to operate the business of garment manufacturing. Sing Yuan Company is a limited liability company duly incorporated with the laws in the PRC on 25 August 2004 and has the right to operate business of estate and property development.

The Agreement constitutes a discloseable transaction under Rule 14.34 of the Listing Rules and should be disclosed by way of press notice and sending a circular to the Shareholders. The Company shall send circulars to Shareholders in accordance with the Listing Rules.

4. REASONS FOR THE DISPOSITION

The business of the Company through its subsidiary, PRC Company consists of garment manufacturing. The Property is used by PRC Company for self use only to carry out manufacturing activities to produce garments. Upon execution of the Agreement, the Company will move and relocate the manufacturing activities of PRC Company to its principal place of business at 1-18 Xinhe Industrial Park, Dianqian, Huli, Xiamen, China and the said relocation plan will not cause any substantial operational impact to the Company as a whole. The Directors consider that (i) the relocation of the manufacturing activities will reduce the logistics costs incurred by PRC Company and improve the efficiency of manufacturing of PRC Company; and (ii) the Consideration given for the transfer of ownership of the Property from PRC Company to Sing Yuan Company is a fair and reasonable value. All the directors (including the independent non-executive directors) of the Company were duly informed regarding the Consideration and disposition of the Property and whereby they have duly given their consent without further views.

LETTER FROM THE BOARD

The financial impact of the Disposition as to the disposal book value of the Property is calculated at RMB7,894,000 by receiving a cash in a sum of RMB11,000,000. Therefore, the profit arising out from the Disposition will be in a sum of RMB3,106,000 with no change of liabilities. Upon completion of the Disposition, PRC Company shall still remain as a subsidiary of the Company.

5. ADDITIONAL INFORMATION

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

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

Hong Kong, 15 July 2005

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

Name of Director	Number of Shares	% of issued share capital
Tan Sim Chew	252,805,226	18.98%
Chen Miao Zhu	6,500,000	0.49%
Fu Zi Cong	574,000	0.04%

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

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

- (c) none of the Directors of the Company and his/her respective associates are interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly with the business of the Group.
- (d) save as disclosed in this section, the Directors were not aware of any person who held or was beneficially interested in 5% or more of the issued share capital of the Company carrying rights to vote in all circumstances at general meeting of the Company or any member of the Group or held any options in respect of any such capital.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, no director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The service contracts of the existing independent non-executive directors, Wong Kwai Sang, Kays, Tsang Chun Pong and Li Chun Ming, Raymond cover a term of 3 years commencing on 3 July 2002, 20 July 2002 and 29 September 2004 respectively. Their remuneration is determined by the board of directors on the anniversary of the date of their appointment.

4. SUBSTANTIAL SHAREHOLDERS

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

	Number of ordinary shares personally interested	Percentage of total issued shares
Tan Sim Chew	252,805,226	18.98

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

5. LITIGATION

On 10 March 2004, a plaintiff brought an civil action against a subsidiary of the Company in a court in Taiwan in respect of an overpayment of a consideration for the acquisition of a former subsidiary of the Company. The plaintiff claimed for an amount of NT\$16,630,837 (HK\$3,864,000) together with interest thereon at 5% per annum plus legal costs of the action.

As at the Latest Practicable Date, no judgment has been passed by the relevant court in Taiwan. Based on legal advice, the directors are of the opinion that the action is unlikely to succeed on the merits of the case and therefore no provision has been made in respect of this action.

6. GENERAL

- (a) The secretary and qualified accountant of the Company is Mr. Lo King Fat, Lawrence, who is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Hopewell Centre, 46th Floor, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.