
THIS CIRCULAR 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 FOR GENERAL MANDATE TO ISSUE SHARES,
AMENDMENTS TO THE EXISTING ARTICLES OF ASSOCIATION AND
RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

The notice convening the 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, 17 December 2004 at 3:30 p.m. is set out on pages 8 to 14 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, 25 October 2004

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, 17 December 2004 at 3:30 p.m., notice of which is set out on pages 8 to 14 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”	18 October 2004, 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)

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

Hong Kong, 25 October 2004

To the Shareholders,

Dear Sir or Madam,

**PROPOSALS FOR GENERAL MANDATE TO ISSUE SHARES,
AMENDMENTS TO THE EXISTING 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 12 December 2003, 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

It will be proposed at the Annual General Meeting an ordinary resolution 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.

AMENDMENTS TO THE EXISTING ARTICLES OF ASSOCIATION

In addition, your attention is drawn to the Special Resolution to approve certain amendments to the existing Articles of Association.

The Securities and Futures Ordinance came into effect on 1 April 2003. In addition, the Stock Exchange has announced certain amendments to the Listing Rules which subject to certain transitional arrangements came into effect on 31 March 2004.

In the circumstances, in order to comply with the aforesaid new requirements and to bring the Articles of Association up to date and in line with the current practice in Hong Kong, it will be proposed at the Annual General Meeting to amend the Articles of Association by the Special Resolution. A brief description to the proposed amendments to the existing Articles of Association is set out as follows:–

- | | | |
|-----|------------------------|---|
| (a) | Article 2 | To amend certain definitions for the purpose of clarification and add a new definition of “associates”. |
| (b) | Article 80 | To reflect the requirement of voting by poll under the Listing Rules. |
| (c) | Article 89(a) | To reflect the restriction on voting by Shareholders as required by the amended Appendix 3 of the Listing Rules. |
| (d) | Article 96(b) | To permit the recognised clearing house (or its nominee) to appoint multiple proxies or representatives at any general meeting of the Company. |
| (e) | Article 107(c) and (e) | To be consistent with the provisions of the amended Appendix 3 of the Listing Rules so that subject to certain exceptions, a Director shall abstain from voting at the board meeting on any contract, arrangement or proposal in which he or any of his associates has a material interest nor shall be counted towards the quorum of the relevant board meeting. |
| (f) | Article 107(f) | To delete the definition of “associate(s)” in this Article. |
| (g) | Article 116 | To clarify that the managing director or joint managing director shall be subject to retirement by rotation. |

LETTER FROM THE CHAIRMAN

- (h) Article 120 To be consistent with the amended Appendix 3 of the Listing Rules which stipulates the minimum seven-day period for lodgment by a Shareholder of the notice to nominate a director and the nomination shall commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting.

RE-ELECTION OF RETIRING DIRECTORS

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

Pursuant to the existing Articles of Association, Ms. Chen Miao Zhu, Mr. Lo King Fat, Lawrence 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 proposed to approve the general mandate to issue Shares and the Special Resolution proposed to approve the amendments to the existing Articles of Association. The notice of Annual General Meeting is set out on pages 8 to 14 of this circular.

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 you from attending and voting in person at the Annual General Meeting or any adjourned meeting if you so desire.

LETTER FROM THE CHAIRMAN

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 (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. **Ms. Chen Miao Zhu**, aged 45, is the co-founder and Managing Director of the Group which was established in 1986. Ms. Chen is responsible for the formulation of corporate policies and the overall operation of the Group. She was named “Best Entrepreneur in Fujian Province” in 1994 and “Best Entrepreneur in China” in 1996. She has nearly 20 years of experience in apparel retailing and manufacturing. Ms. Chen did not hold any directorship in other listed public companies in the last three years.

There is no service contract between the Company and Ms. Chen. She has no fixed term of service with the Company but will subject to the rotational retirement and re-election requirements at annual general meeting pursuant to the Articles of Association of the Company. There is no agreement on the amount of the remuneration payable to Ms. Chen. Her remuneration will be reviewed annually by the Board with reference to her duties and responsibilities with the Company, the Company’s performance and the prevailing market situation. For the year ended 30 June 2004, total emoluments (being annual salary and bonus) paid to Ms. Chen amounted to HK\$637,000. Ms. Chen is and was not connected with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Ms. Chen is interested in 6,500,000 Shares within the meaning of Part XV of the Securities and Futures Ordinance.

2. **Mr. Lo King Fat, Lawrence**, aged 50, jointed the Group in 1990 and is the financial controller of the holding company. He has over 25 years of experience in finance, auditing and accounting. Mr. Lo is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lo did not hold any directorship in other listed public companies in the last three years.

There is no service contract between the Company and Mr. Lo. He has no fixed term of service with the Company but will subject to the rotational retirement and re-election requirements at annual general meeting pursuant to the Articles of Association of the Company. There is no agreement on the amount of the remuneration payable to Mr. Lo. 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 2004, total emoluments (being annual salary, bonus and MPF contribution) paid to Mr. Lo amounted to HK\$571,000. Mr. Lo 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. Lo has no interested in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

3. **Mr. Li Chun Ming, Raymond**, aged 48, 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 over 20 years experience in accounting, auditing, taxation and corporate advisory services. Mr. Li has not held any directorship in any listed public companies in the last three years.

Save as a member of the audit committee of the Company, Mr. Li does not hold any position with the Company and other members of the Company’s group. There is no service contract between the Company and Mr. Li. He has no fixed terms of services with the Company but will subject to the retirement and re-election requirements at annual general meeting pursuant to the Articles of

Association of the Company. The amount of remuneration payable to Mr. Li for the year ending 30 June 2005 is HK\$60,000 per annum, which has been determined by the Board with reference to his duties and responsibilities with the Company and the current 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 dated hereof, Mr. Li does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

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 the 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, 17 December 2004 at 3:30 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 2004.
2. To re-elect directors and to fix the remuneration of directors.
3. To re-appoint auditors and to authorise the directors to fix their remuneration.
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;
- (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)

* For identification purpose only

NOTICE OF ANNUAL GENERAL MEETING

hereof, otherwise than pursuant to shares of the Company issued as a result of a Rights Issue (as defined below) or 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, 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).”

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

SPECIAL RESOLUTION

- (a) Article 2
- (i) by adding the following new definition and its marginal note immediately after the existing definition “these Articles”:-

“associates”	“associate” shall have the meaning prescribed in the Listing Rules from time to time;
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NOTICE OF ANNUAL GENERAL MEETING

- (ii) by deleting the existing definition of “recognised clearing house” in its entirety and substituting therefor the following new definition and its marginal note:

recognised clearing house	“recognised clearing house” shall mean a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;
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- (iii) by deleting the existing definition of “subsidiary and holding company” in its entirety and substituting therefor the following new definition and its marginal note:

subsidiary and holding company	“subsidiary” and “holding company” shall have the meanings ascribed to such terms in the Companies Ordinance, but interpreting the term “subsidiary” in accordance with the definition of “subsidiary” under the Listing Rules;
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(b) Article 80

- (i) By adding the words “unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or “ immediately before the word “unless” in the first sentence of Article 80.
- (ii) By adding the words “in accordance with the provisions set out below in this Article 80” after the words “duly demanded” in the first sentence of Article 80.
- (iii) By adding the words “a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless” immediately after the word “Unless” at the beginning of the second paragraph of Article 80.
- (iv) By adding the words “in accordance with the provisions set out above in this Article 80” after the words “is so demanded” on the first line of the second paragraph of Article 80.

NOTICE OF ANNUAL GENERAL MEETING

(c) Article 89(a)

By renumbering the existing paragraph (a) of Article 89 as paragraph (a)(i) of Article 89 and adding the following new paragraph (ii) and its marginal note:

Voting in contravention to Listing Rules	(ii) Where any member is, under any applicable laws or the Listing Rules from time to time, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.
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(d) Article 96(b)

By deleting the existing paragraph (b) of Article 96 in its entirety and substituting therefor the following new paragraph (b):

(b) If a recognised clearing house (or its nominee) is a member of the Company it may, by resolution of its directors or other governing body or by power of attorney, appoint or authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so appointed or authorised, the proxy forms or authorisations shall specify the number and class of shares in respect of which each such person is so appointed or authorised. A person so appointed or authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such proxy form or authorisation, including the right to vote individually on a show of hands.

(e) Article 107(c), (e) and (f)

(i) By deleting the existing paragraph (c) of Article 107 in its entirety and substituting therefor the following new paragraph (c) and its marginal note:

Director may not vote where he has a material interest	(c) A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in
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NOTICE OF ANNUAL GENERAL MEETING

the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- Director may vote in respect of certain matters
- (i) the giving of any security or indemnity either:–
 - (aa) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (bb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in the shares of that company, provided that, the Director and any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
 - (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:–

NOTICE OF ANNUAL GENERAL MEETING

- (aa) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or his associate(s) may benefit; or
 - (bb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- (ii) By deleting the existing paragraph (e) of Article 107 in its entirety and substituting therefor the following new paragraph (e) and its marginal note:
 - Who to decide whether a Director may vote
 - (e) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or his associate(s) or the significance of a contract, arrangement or transaction or proposed contract, arrangement or transaction or as to the entitlement of any Director to vote or form part of a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting (or, where question relates to the interest of the Chairman, to the other Directors at the meeting) and his ruling (or, as appropriate, the ruling of the other Directors) in relation to any other Director (or, as appropriate, the Chairman) shall be final and conclusive except in a case where the nature or extent of the interests of the Director and/or his associate(s) concerned (or, as

NOTICE OF ANNUAL GENERAL MEETING

appropriate, the Chairman) as known to such Director (or, as appropriate, the Chairman) has not been fairly disclosed to the Board.

(iii) By deleting the existing paragraph (f) of Article 107 in its entirety.

(f) Article 116

By deleting the words “(other than the Managing Director or Joint Managing Director).

(g) Article 120

By deleting the existing Article 120 in its entirety and substituting therefor the following new Article and its marginal note:

Notice to be given when person proposed for election	120. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least 7 days and that the period for lodgment of such notices shall commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting.
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By Order of the Board
LO King Fat, Lawrence
Secretary

Hong Kong, 25 October 2004

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.