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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)

**VERY SUBSTANTIAL ACQUISITION RELATING TO  
THE PLANTATION BUSINESS  
AND  
RESUMPTION OF TRADING**

**Financial Adviser to Benefun International Holdings Limited**

**VEDA | CAPITAL**  
**智略資本**

**VERY SUBSTANTIAL ACQUISITION**

The Board is pleased to announce that on 24 June 2008, the Company and the Vendor entered into the Acquisition Agreement, pursuant to which the Company has agreed to acquire from the Vendor the Sale Share (representing the entire issued share capital of Ample Rich) and the Loan at a total consideration of HK\$500,000,000.00. Upon completion of the Acquisition, Ample Rich will become a wholly-owned subsidiary of the Company, and the Company will, through Ample Rich and its wholly-owned subsidiary Gold Vantage, own the entire equity interests in PRC Company, a wholly-foreign owned enterprise principally engaged in the business of plantation, research and development on plantation related technologies, manufacture, sale and distribution of plantation products.

The Consideration shall be satisfied by (i) as to HK\$100,000,000.00, by the issue of the Promissory Note; and (ii) as to the remaining balance of HK\$400,000,000.00 by the issue of the Convertible Notes with a conversion price of HK\$0.064 per Conversion Share. The Noteholders may convert the whole or any part of the outstanding principal amount of the Convertible Notes at any time during the Conversion Period if immediately after any such conversion (a) the Noteholders together with parties acting in concert with them (within the meaning of the Takeovers Code) do not control 30% or more of the voting rights in the Company; and (b) the number of Shares held by the public (within the meaning of the Listing Rules) will not fall below 25% of the aggregate number of (i) the Shares in issue at that relevant time; and (ii) the Conversion Shares to be issued upon such conversion, provided that the Vendor shall not exercise the conversion rights attached to the Security Convertible Notes during the Profit Guarantee Period.

The Acquisition constitutes a very substantial acquisition by the Company under the Listing Rules. The Acquisition and the issue of Convertible Notes, which will be included in the resolutions in respect of the Acquisition, are subject to the Shareholders' approval at the EGM.

The Company will, in compliance with the Listing Rules, convene the EGM to seek the approval of the Shareholders on the Acquisition and the issue of Convertible Notes in respect of the Acquisition. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficiary are third parties independent of the Company and its connected persons (as defined in the Listing Rules) and their respective associates. The Directors confirm that no Shareholder has a material interest in the Acquisition and the transactions contemplated under the Acquisition Agreement. Therefore, no Shareholder is required to abstain from voting for the approval of the Acquisition including the issue of Convertible Notes at the EGM.

## **GENERAL**

The EGM will be held to consider and, if thought fit, pass the resolutions to approve the Acquisition and the issue of Convertible Notes in connection with the Acquisition.

A Circular containing, amongst other things, further details of (i) the Acquisition and other disclosures in connection with the Acquisition required pursuant to the Listing Rules; (ii) valuation report to be issued by an independent appraiser on the fair value of certain assets of PRC Company, principally the Subject Plantation Land; (iii) a notice convening the EGM; (iv) financial information of Ample Rich; and (v) the pro forma financial information of the Enlarged Group will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**Shareholders and potential investors should note that the Acquisition, which is subject to a number of conditions precedent, may or may not complete. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:47 p.m. on 24 June 2008 pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 July 2008.

## **VERY SUBSTANTIAL ACQUISITION – THE PLANTATION BUSINESS**

### **Acquisition Agreement**

**Date:** 24 June 2008

### **Parties:**

**Purchaser:** the Company

**Vendor:** Blackpool Stadium Limited

The Vendor and its ultimate beneficiary have no prior business or other relationship with the Company and its connected persons. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficiary (a) are third parties independent of the Company and its connected persons (as defined in the Listing Rules) and their respective associates; and (b) are not parties acting in concert with any Shareholders.

### **Assets to be acquired**

- (a) the Sale Share, representing the entire issued share capital of Ample Rich; and
- (b) the Loan of HK\$1,068,574.78.

### **Consideration**

The aggregate consideration for the Sale Share and the assignment of the Loan is HK\$500,000,000.00, which shall be satisfied by:–

- (i) as to HK\$100,000,000.00, being the deposit which has been paid by the Company to the Vendor upon the signing of the Acquisition Agreement, by the issue of the Promissory Note which will be repayable on demand at any time starting from 24 December 2009. The Promissory Note shall be returned to the Company for cancellation if the Acquisition cannot be completed;
- (ii) as to the remaining balance of HK\$400,000,000.00, by the issue of Convertible Notes with a conversion price at HK\$0.064 per Conversion Share to the Vendor upon completion of the Acquisition.

The Company intends to finance the Promissory Note with internal financial resources and future profit distributable from PRC Company.

The conversion price of HK\$0.064 per Conversion Share of the Convertible Notes represents:

- (i) a discount of approximately 24.71% to the closing price of the Shares of HK\$0.085 on 24 June 2008, being the last trading day immediately before the publication of this announcement;
- (ii) a discount of approximately 24.71% to the closing price of the Shares of HK\$0.085 on 23 June 2008, being the last full trading day immediately before the publication of this announcement;
- (iii) a discount of approximately 24.88% to the average closing price of the Shares of HK\$0.0852 taking into account the closing price of the Shares for 5 full trading days immediately before the publication of this announcement; and
- (iv) a discount of approximately 24.88% to the average closing price of the Shares of HK\$0.0852 taking into account the closing price of the Shares for 10 full trading days immediately before the publication of this announcement.

Assuming that all the Convertible Notes are fully converted at the conversion price of HK\$0.064 per Conversion Share, the Convertible Notes with an aggregate principal amount of HK\$400,000,000.00 are convertible into 6,250,000,000 Conversion Shares, representing approximately 319.69% of the existing issued share capital of the Company and approximately 76.17% of the then issued share capital of the Company as enlarged by the issue of the Conversion Shares. The issue of the Convertible Notes is subject to the approval of Shareholders at the EGM.

The Conversion Shares will be issued and allotted under a specific mandate proposed to be sought from the Shareholders at the EGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares, which will rank *pari passu* with the existing Shares.

The Consideration was determined after arm's length negotiation between the Company and the Vendor with reference to the indication of the valuation of the inventory of stock of trees on the Subject Plantation Land, which is valued on the basis of market value, in the amount between RMB500,000,000 and RMB550,000,000 from an independent qualified appraiser in Hong Kong (a valuation report will be prepared and issued by the independent qualified appraiser in Hong Kong and will be included in the circular to be despatched to the Shareholders in respect of, among other things, the Acquisition) and the Profit Guarantee. Having taken into account (a) the unaudited consolidated net liabilities of Ample Rich as at 31 May 2008; (b) the payments to be borne by the PRC Company in acquiring the right to operate the Subject Plantation Land; (c) the Consideration represents a discount of 10% of the upper end of the valuation of the inventory of stock of trees on the Subject Plantation Land; and (d) there will be no immediate significant cash outflow by the Company for the Acquisition and for the immediate operation of the business relating to the Subject Plantation Land, the Directors consider the Consideration is fair and reasonable. The conversion price of the Convertible Notes was determined after arm's length negotiation between the Company and the Vendor with reference to, among other things, the Company's recent share price performance at the time of entering into the Acquisition Agreement.

## The Convertible Notes

The terms of the Convertible Notes have been negotiated on arm's length basis and the principal terms of which are summarized below:

### *Aggregate Principal amount*

HK\$400,000,000.00

### *Interest*

The Convertible Notes will not bear any interest

### *Maturity*

3 years from the date of issue

### *Form*

Registered form

### *Conversion Price*

HK\$0.064 per Share, which is subject to adjustment for, among other matters, sub-division or consolidation of new Shares, capitalization of profits or reserves, capital distribution, bonus issues, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price, other issues at less than current market price, modification of rights of conversion and other dilutive events.

- (a) Issues at less than current market value

Under the terms of the Convertible Notes, the conversion ratio for the Conversion Price in the adjustment for issues at less than current market price (being 95% of the 5-day average closing price of Share immediately before the announcement of such issue, the "**Current Market Price**") is as follows:–

$$A + B$$

$$A + C$$

where:

A = number of Shares in issue immediately before the issue of additional Shares

B = number of Shares based on the aggregate consideration receivable by the Company divided by the Current Market Price

C = number of additional Shares to be issued

The number of Conversion Shares is determined by dividing the outstanding amount of the Convertible Notes by the adjusted Conversion Price based on the conversion ratio as stated above. There is no agreed limit on the number of Conversion Shares to be issued. The Conversion Price may not be reduced to below the par value of the Shares.

(b) Other dilutive events

Other dilutive events for adjustment refers to the case if the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in the terms of the Convertible Notes. In such case, the Company shall request the auditors of the Company to determine the relevant adjustments to be made.

The overriding principle relating to the adjustment of the conversion price as set out in the Stock Exchange's letter dated 5 September 2005 is that no adjustment to the exercise price or number of shares that benefits the share option scheme participants shall occur without prior Shareholders' approval. The Directors believe that the adjustment of the conversion price set out in the Convertible Notes is in accordance with the overriding principle.

*Conversion*

The Noteholders may convert the whole or any part of the outstanding principal amount of the Convertible Notes into Conversion Shares at the conversion price of HK\$0.064 per Conversion Share (subject to adjustment) in the amount of HK\$500,000.00 or an integral multiple thereof at any time during the Conversion Period if immediately after such conversion (a) the Noteholders together with parties acting in concert with them (within the meaning of the Takeovers Code) do not control 30% or more of the voting rights in the Company; and (b) the number of Shares held by the public (within the meaning of the Listing Rules) will not fall below 25% of the aggregate number of (i) the Shares in issue at that relevant time; and (ii) the Conversion Shares to be issued upon such conversion, provided that the Vendor shall not exercise the conversion rights attached to the Security Convertible Notes during the Profit Guarantee Period.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

*Ranking*

The Conversion Shares will rank *pari passu* in all respects among themselves and with all other Shares in issue on the date of such allotment and issue.

*Redemption by the Company*

The Company shall redeem the outstanding Convertible Notes at 125% of the outstanding principal amount thereof at maturity.

Subject to the prior written approval of the Noteholders and such terms and conditions to be agreed by them and the Company, the Company may, at any time prior to maturity, redeem the whole or any part (in the amount of HK\$500,000.00 or an integral multiple thereof) of the outstanding principal amount of the Convertible Notes by giving not less than 5 business days' prior notice.

#### *Transferability*

The Convertible Notes are freely transferable, provided that the Noteholders must inform the Company of each transfer or assignment made by them. The Company shall notify the Stock Exchange if any of the Convertible Notes is transferred to a connected person (as defined in the Listing Rules).

#### *Events of default*

All Convertible Notes contain an event of default provision which provides that on the occurrence of certain events of default (e.g. repayment overdue, insolvency and liquidation) specified in the Convertible Notes, each of the Noteholders shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant Convertible Notes.

#### **Profit Guarantee**

The Vendor undertakes to the Company that:–

- (1) the audited consolidated net profit before tax of Ample Rich prepared in accordance with Hong Kong GAAP compliance for the 1st Profit Guarantee Period shall not be less than HK\$60,000,000.00; and
- (2) the audited consolidated net profit before tax of Ample Rich prepared in accordance with Hong Kong GAAP compliance for the 2nd Profit Guarantee Period shall not be less than HK\$70,000,000.00.

The Security Convertible Notes will be put under security to the Company by the Vendor for permanence of the Profit Guarantee. The Vendor undertakes not to exercise the conversion rights attached to the Security Convertible Notes during the Profit Guarantee Period.

The Vendor will compensate the Company, on a dollar-to-dollar basis, by surrendering any of the Security Convertible Notes for any shortfall between the Profit Guarantee and the audited consolidated net profit before tax of Ample Rich prepared in accordance with Hong Kong GAAP compliance for the Profit Guarantee Period. If Ample Rich records a loss during the Profit Guarantee Period, the Vendor will, in addition to the Profit Guarantee, compensate the Company for such loss on a dollar-to-dollar basis.

In assessing the likelihood of Ample Rich in meeting the Profit Guarantee, the Directors consider the following facts:–

- (a) An amount not less than RMB5,000,000 (the “**Start Up Capital**”) will be injected into the PRC Company by the Vendor in three months from the date of completion of the Acquisition as start up capital for the business relating to the Subject Plantation Land. The Start Up Capital will be used for acquiring licenses, machinery and costs necessary for the business relating to the Subject Plantation Land; and
- (b) Most of the Subject Plantation Land has been cultivated with poplar trees and which will be mature for harvest in four to six months from the date of completion of the Acquisition. Transportation infrastructure (including railway, national highway and roads) in the Subject Plantation Land allows the harvested timber to be transported efficiently for distribution. The PRC Company has a well-established network in marketing, sale and distribution of the harvested timber and its by-products.

The Directors are satisfied that there is reasonable assurance of Ample Rich’s fulfillment of the Profit Guarantee with the contractual provisions put in place to safeguard compensation to the Company should the Profit Guarantee cannot be fulfilled by Ample Rich.

### **Conditions**

The completion of the Acquisition Agreement is conditional upon fulfillment of, among other things, the following conditions:–

- (i) the delivery of a PRC legal opinion to the Company confirming that PRC Company has the legal rights to operate plantation business on the Subject Plantation Land during the leasehold term under the Concession Agreement, including but not limited to the harvesting rights and entitlement to benefits derived from the timber harvested and by-products collected from crops in the Subject Plantation Land;
- (ii) the delivery of a valuation report to the Company confirming that the value of the land use right, the tree use right and the tree ownership right of the Subject Plantation Land is not less than HK\$500,000,000.00;
- (iii) the passing of the relevant resolutions at the EGM by the Shareholders for approving the Acquisition Agreement and the transactions contemplated therein;
- (iv) the representations, warranties and undertakings given by the Vendor in the Acquisition Agreement remain true, correct and not misleading in all respects as at the completion date of the Acquisition;
- (v) the Stock Exchange granting listing of, and permission to deal in, the Conversion Shares;
- (vi) the Acquisition is not deemed to be a reverse takeover (as defined under the Listing Rules) by the Stock Exchange pursuant to the Listing Rules.

In the event that the conditions are not fulfilled on such date as agreed between the parties, the deposit of HK\$100,000,000.00 in the form of the Promissory Note shall forthwith be returned to the Company and the Company shall have the right to terminate the Acquisition Agreement by written notice and all obligations of the parties in the Acquisition Agreement shall cease and determine.

### **Information on Ample Rich**

Ample Rich is an investment holding company wholly and beneficially owned by the Vendor.

#### *Financial Information of Ample Rich*

The following tables set out a summary of the unaudited consolidated financial information of Ample Rich:

	<b>As at 31 May 2008</b> <b>(Unaudited)</b> <i>HK\$</i>
Total Assets	493,303.29
Total Liabilities (i.e. the Loan)	(1,068,574.78)
Net Assets	(575,271.49)

  

	<b>For the period from 13 July 2007</b> <b>(date of incorporation) to 31 May 2008</b> <b>(Unaudited)</b> <i>HK\$</i>
Loss before tax	(575,279.29)
Loss after tax	(575,279.29)

Up to the date of this announcement, save and except the rights and benefits under the Concession Agreement in respect of the Subject Plantation Land, Ample Rich and its subsidiaries do not have any other material assets and liabilities.

### **Information on Gold Vantage**

Gold Vantage is an investment holding company and a wholly-owned subsidiary of Ample Rich.

### **Information on PRC Company**

PRC Company is a wholly-foreign owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of Gold Vantage. Upon completion of the Acquisition, the Company will own the entire equity interests in PRC Company.

PRC Company is principally engaged in the business of plantation, research and development on plantation related technologies, manufacture, sale and distribution of plantation products, including products from *Populus tremula* (commonly known as poplar tree) (楊樹) and *Ricinus communis* L. (commonly known as castor plant) (蓖麻). Poplar tree provides the raw material for wood industry and wood pulp for paper making industry. Castor seed oil is the internationally traded raw material for making aviation engines lubricant, paintings and coatings, cosmetics, pharmacy and substitutes to oil derivative products.

PRC Company plans for 30 years sustainable plantation to cater for the increasing and high demand from wood industry, paper making industry and industrial raw materials.

## **Relevant issues in relation to PRC Company**

### *1) Concession Agreement*

On 10 June 2008, PRC Company and The Agricultural No. 8 Division No. 142 Regiment of the Xinjiang Production and Construction Corps (新疆生產建設兵團農八師一四二團) (“**XPCC**”) entered into the Concession Agreement of the Operating Rights and Forestry Management between The Agricultural No. 8 Division No. 142 Regiment of the Xinjiang Production and Construction Corps and Foshan Gold Vantage Forestry Limited (新疆生產建設兵團農八師一四二團林業管理承包合同) (the “**Concession Agreement**”) (as supplemented by the Agreement as to Payment Terms to the Concession Agreement (新疆生產建設兵團農八師林業項目承包合同付款條件細則) dated 10 June 2008), pursuant to which plantation land of XPCC (新疆石河子農八師一四二團林地), a site owned by XPCC (the “**Subject Plantation Land**”), was allotted to PRC Company on the basis of a 30-year term lease.

The consideration for acquiring the right to operate the Subject Plantation Land under the Concession Agreement in the total sum of RMB81,320,000 (the “**Consideration of CA**”) will be paid by the PRC Company by different instalments during the terms of the Concession Agreement. The first instalment has been paid by the PRC Company to XPCC as part payment of the Consideration of CA. The PRC Company will be responsible for all payments of the subsequent instalments of the Consideration of CA which will be paid out of the future revenue of the PRC Company, over the period of 30 years of term lease.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, XPCC and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### *2) Subject Plantation Land*

The total area of the Subject Plantation Land is 60,000 Chinese mu (1 mu = 666.67 square metres). Most of the Subject Plantation Land is flatland, has been cultivated with poplar trees and with timber volume estimated as 632,991 cubic metres. It is situated next to the China national highway No. 312 which connects the whole district of Shihezi City (石河子市).

The Acquisition is made conditional to the delivery of a PRC legal opinion to the Company confirming that PRC Company has the legal rights to operate plantation business on the Subject Plantation Land during the leasehold term under the Concession Agreement, including but not limited to the harvesting rights and entitlement to benefits derived from the timber harvested and by-products collected from crops in the Subject Plantation Land.

3) *Business risk of PRC Company*

The business of PRC Company is subject to the usual risk of natural hazards from flood, wind, earthquake, hailstorm, snowstorm, drought, fire and insect. The changes in policies, legislations and regulations of local government authorities may require PRC Company to apply for new licenses or permits for plantation and harvesting and may impair such rights of PRC Company. Oppositions from indigenous residents in the district where the Subject Plantation Land situate and environmental groups against the activities of PRC Company in the Subject Plantation Land may arise and the business activities of PRC Company may therefore be affected. Increasingly competitive local sale market of wood may result in decrease in revenue from plantation business.

**Reasons for the Acquisition**

The Group is principally engaged in design, manufacture and sale of quality men's and ladies' wear. In order to complement with the highly competitive apparel market, the Directors consider that the diversification of business into new areas of high-growth potential will be in the best interests of the Shareholders. The Company takes initiative in identifying business opportunities in new emerging industries that will broaden its revenue sources.

According to the Annual Review and Assessment of the World Timber Situation 2007 by the International Tropical Timber Organization, the real gross domestic product in the emerging market and developing economies reached approximately 7.8% in 2007 (with the PRC's real gross domestic product growth of approximately 11.4% in 2007), which has outgrown that of the advanced economies of 2.6%. The demand for housing and thus wood materials in the PRC is expected to grow in the long run in view of the economic expansion in the PRC. The forestry industry and the selling prices are expected to be on an upward trend due to their scarcity and the increasing demand, particularly when PRC is now the world's number one importer of industrial wood logs. In light of the above, the Directors believe the Acquisition represent a good opportunity for the Company to enter into the plantation industry with huge potential and good future prospect.

The Directors believe that the Acquisition is a business opportunity in new emerging industry which will broaden its revenue sources, and considered that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. At this stage, the Directors have no existing plan to discontinue the Company's existing garment business and expect that these businesses will continue into the foreseeable future. Accordingly, the Directors confirm that there will be no change in the principal business of the Company after completion of the Acquisition.

After the Acquisition has been consummated, the Company intends to retain the existing management and professional team of the PRC Company. Such management and professional team possesses the necessary expertise and experience to manage and operate the plantation business of the PRC Company.

The Board is currently comprised of 7 members including 4 executive directors and 3 independent non-executive directors. Under the Acquisition Agreement, the Vendor and its ultimate beneficial owner do not have any right or power to nominate any person to be appointed as a director of the Company. The Directors confirm that there will be no change in the Board caused by or resulting from the completion of the Acquisition, save and except, for the avoidance of doubt, the changes of directorship resulting from, including but not limited to, normal and usual retirement, resignation, change and appointment of Director(s), either before or after the completion of the Acquisition.

## **IMPLICATIONS FROM THE LISTING RULES**

The Acquisition constitutes a very substantial acquisition by the Company under the Listing Rules. The Acquisition and the issue of Convertible Notes, which will be included in the resolutions in respect of the Acquisition, are subject to the Shareholders' approval at the EGM. The Company will, in compliance with the Listing Rules, convene the EGM to seek the approval of the Shareholders on the Acquisition and the issue of Convertible Notes in respect of the Acquisition. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficiary are third parties independent of the Company and its connected persons (as defined in the Listing Rules) and their respective associates. The Directors confirm that no Shareholder has a material interest in the Acquisition and the transactions contemplated under the Acquisition Agreement. Therefore, no Shareholder is required to abstain from voting for the approval of the Acquisition and the transactions contemplated under the Acquisition Agreement at the EGM.

## **SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE COMPLETION**

As at the date of this announcement, there was an aggregate of 5,354,640 outstanding employee share options entitling the holders thereof to subscribe for 66,600,000 Shares at an exercise price of HK\$0.0804 per Share. Except for the employee share option, there are no other options, warrants, or convertible notes entitling the holder to convert into Shares.

For illustrative purpose, the following table sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the completion of the Acquisition and assuming the Convertible Notes are fully converted into Conversion Shares; and (iii) immediately after completion of the Acquisition and assuming the Convertible Notes are partly converted into Conversion Shares:–

Shareholders	Existing shareholding (as at the date of this announcement)		Immediately after completion of the Acquisition and assuming the Convertible Notes are fully converted into Conversion Shares (Note 5)		Immediately after completion of the Acquisition and assuming the Convertible Notes are partly converted into Conversion Shares (Note 6)	
	No. of Shares held	% of the Company capital of the	No. of Shares held	% of the Company capital of the	No. of Shares held	% of the Company capital of the
Mr. Tan Sim Chew (Note 1) Leader Symbol Holdings Limited (Note 2)	275,265,226	14.07%	275,265,226	3.35%	275,265,226	9.86%
Other Directors (Note 3)	7,174,000	0.37%	7,174,000	0.09%	7,174,000	0.26%
Public:						
Mr. Neo Hock Soon (Note 4)	181,000,000	9.26%	181,000,000	2.21%	181,000,000	6.48%
Mr. Fan Po Lo (Note 4)	192,000,000	9.82%	192,000,000	2.34%	192,000,000	6.87%
Other public Shareholders	1,121,347,297	57.36%	1,121,347,297	13.67%	1,121,347,297	40.16%
Vendor	–	–	6,250,000,000	76.17%	837,470,643	29.99%
Total	<u>1,955,029,000</u>	<u>100.00%</u>	<u>8,205,029,000</u>	<u>100.00%</u>	<u>2,792,499,643</u>	<u>100.00%</u>

Note:

- Mr. Tan Sim Chew is the executive director of the Company.
- Leader Symbol Holdings Limited is wholly-owned by Ms. Ng Guek Keow.
- Mr. Fu Zi Cong (being the executive director of the Company) owns 3,874,000 Shares and Mr. Lo King Fat Lawrence (being the executive director of the Company) owns 3,300,000 Shares as at the date of this announcement.
- To the best of the Directors' knowledge, Mr. Neo and Mr. Fan are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

5. Under the terms of the Convertible Notes, the Noteholders (including the Vendor) may convert the Convertible Notes if immediately after such conversion (a) the Noteholders together with parties acting in concert with them (within the meaning of the Takeovers Code) do not control 30% or more of the voting rights in the Company; and (b) the number of Shares held by the public (within the meaning of the Listing Rules) will not fall below 25% of the aggregate number of (i) the Shares in issue at that relevant time; and (ii) the Conversion Shares to be issued upon such conversion. Accordingly, this column is shown for illustration purpose only.
6. This column is shown to illustrate the shareholding structure if the Vendor, in accordance with the terms of the Convertible Notes as described in note 5 above, together with parties acting in concert with it (within the meaning of the Takeovers Code) do not control 30% or more of the voting rights in the Company.

## **DILUTION EFFECT ON SHAREHOLDERS AS A RESULT OF CONVERSION OF ANY PART OF THE CONVERTIBLE NOTES**

Assuming that the entire principal amount of HK\$400,000,000.00 under the Convertible Notes are fully converted at the conversion price of HK\$0.064 per Conversion Share, a total of 6,250,000,000 Conversion Shares, representing (i) approximately 319.69% of the existing issued share capital of the Company; and (ii) approximately 76.17% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, will be issued.

In view of the future dilution effect on the shareholdings in the Company of the existing Shareholders on the exercise of the conversion rights attaching to the Convertible Notes, the Company will keep the Shareholders informed of the level of dilution and details of conversion as follows:–

- (a) the Company will make a monthly announcement (the “**Monthly Announcement**”) on the website of the Stock Exchange after the completion of the issue of the Convertible Notes. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a tabular form:
  - (i) whether there is any conversion of the Convertible Notes during the relevant month. If there is conversion, details of the conversion(s), including the Conversion Date, the number of Conversion Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
  - (ii) the number of outstanding principal amount of the Convertible Notes after the conversion(s), if any;
  - (iii) the total number of new Shares issued pursuant to other transactions during the relevant month, including new Shares issued pursuant to exercise of options under any share option scheme(s) of the Company (if any);
  - (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month; and

- (b) in addition to the Monthly Announcement, if the cumulative amount of the Conversion Shares issued reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement in respect of the Convertible Notes (as the case may be) up to the date on which the total amount of the Conversion Shares issued amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be).

## **GENERAL**

The EGM will be held to consider and, if thought fit, pass the resolutions to approve the Acquisition and the issue of Convertible Notes in connection with the Acquisition.

A Circular containing, amongst other things, further details of (i) the Acquisition and other disclosures in connection with the Acquisition required pursuant to the Listing Rules; (ii) valuation report to be issued by an independent appraiser on the fair value of certain assets of PRC Company, principally the Subject Plantation Land; (iii) a notice convening the EGM; (iv) financial information of Ample Rich; and (v) the pro forma financial information of the Enlarged Group, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:47 p.m. on 24 June 2008 pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 July 2008.

## **DEFINITIONS**

The following words and phrases used in this announcement have the following meaning:

“1st Profit Guarantee Period”	for the financial year ending 30 June 2009
“2nd Profit Guarantee Period”	for the financial year ending 30 June 2010
“Acquisition Agreement”	the agreement dated 24 June 2008 entered into by the Company and the Vendor in relation to the Acquisition
“Acquisition”	the acquisition by the Company from the Vendor of the entire shareholding interest in Ample Rich pursuant to the Acquisition Agreement

“Ample Rich”	Ample Rich Enterprises Limited, a company incorporated in the British Virgin Islands on 13 July 2007, a wholly-owned subsidiary of the Vendor
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“Company”	Benefun International Holdings Limited, a company incorporated in the Cayman Islands whose securities are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed in the Listing Rules
“Consideration”	the total consideration for the Acquisition in the sum of HK\$500,000,000.00
“Conversion Share(s)”	6,250,000,000 Shares to be issued upon conversion of the Convertible Notes, if fully converted
“Convertible Note(s)”	the convertible notes to be issued by the Company in an aggregate principal amount of HK400,000,000.00 with a conversion price of HK\$0.064 per Conversion Share
“Conversion Period”	the period commencing from and including the date of issue of the Convertible Notes up to 5:00 p.m. (Hong Kong time) on the 2nd Business Day prior to the Maturity Date
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve, amongst other things, the Acquisition Agreement and the issue of Convertible Notes in relation to the Acquisition
“Enlarged Group”	the Group together with Ample Rich and its subsidiaries upon completion of Acquisition
“Gold Vantage “	Gold Vantage Enterprises Limited, a company incorporated in Hong Kong on 17 July 2007, a wholly-owned subsidiary of Ample Rich
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“Hong Kong GAAP”	the generally accepted accounting principles, standards and practices in Hong Kong (including all applicable Statements of Standard Accounting Practice)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Loan”	loans made to Ample Rich by the director of Ample Rich and to be assigned by the Vendor to the Company pursuant to the Acquisition Agreement
“Listing Rules”	the Rules Governing the Listing Securities on the Stock Exchange
“Noteholder(s)”	holder(s) of the Convertible Notes
“PRC Company”	Foshan Gold Vantage Forestry Limited*(佛山市凱金林業有限公司), a wholly-foreign owned enterprise established in the PRC on 14 November 2007 and a wholly-owned subsidiary of Gold Vantage
“PRC”	the People’s Republic of China
“Profit Guarantee”	the audited consolidated net profit before tax of Ample Rich prepared in accordance with Hong Kong GAAP compliance, which shall not be less than HK\$60,000,000.00 for the 1st Profit Guarantee Period and HK\$70,000,000.00 for the 2nd Profit Guarantee Period
“Profit Guarantee Period”	the 1st Guarantee Period and/or the 2nd Guarantee Period, as the case may be
“Promissory Note”	the non-interest bearing promissory note executed by the Company on 24 June 2008, pursuant to which the Company promises to pay to the Vendor the sum of HK\$100,000,000.00
“RMB”	Renminbi, the lawful currency of PRC
“Security Convertible Notes”	partial of the Convertible Notes in the principal amount of HK\$130,000,000.00, to be issued by the Company and will be put under security to the Company for permanence of the Profit Guarantee and the Vendor undertakes not to exercise the conversion rights attached to the Security Convertible Notes during the Profit Guarantee Period
“Sale Share”	1 ordinary share at par value of US\$1.00 in the share capital of Ample Rich, representing the entire issued share capital of Ample Rich

“Share(s)”	ordinary share(s) of HK\$0.01 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Blackpool Stadium Limited, a company incorporated in the British Virgin Islands on 3 January 2008
“%”	per cent.

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

4 July 2008, Hong Kong

*As at the date of this announcement, the Board comprises of four executive directors, namely Mr. Tan Sim Chew, Mr. Zhong Ma Ming, Mr. Fu Zi Cong and Mr. Lo King Fat, Lawrence, and three independent non-executive directors, namely Mr. Cheung Ngai Lam, Mr. Tsang Chun Pong and Mr. Li Chun Ming, Raymond.*

\* *For identification purposes only*