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 licensed securities dealer, 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, together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire purchase or subscribe for any securities.

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, RE-ELECTION OF RETIRING DIRECTORS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to Benefun International Holdings Limited

VEDA | CAPITAL
智略資本

A notice convening the extraordinary general meeting of Benefun International Holdings Limited to be held at 4:00 p.m. on Monday, 20 October 2008 at 4/F., Opulent Building, 402-406 Hennessy Road, Wan Chai, Hong Kong is set out on pages 145 to 146 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the 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 meeting or any adjournment thereof should you so wish.

30 September 2008

* *For identification purpose only*

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

"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"	the acquisition by the Company from the Vendor of the entire shareholding interest in Ample Rich pursuant to the Acquisition Agreement
"Acquisition Agreement"	the agreement dated 24 June 2008 entered into by the Company and the Vendor in relation to the Acquisition
"Ample Rich/Target Company"	Ample Rich Enterprises Limited, a company incorporated in the British Virgin Islands on 13 July 2007, a wholly-owned subsidiary of the Vendor
"Announcement"	the announcement dated 4 July 2008 made by the Company in relation to the Acquisition
"Articles of Association"	the articles of association of the Company as amended, supplemented or modified from time to time
"associate"	has the meaning ascribed to it in the Listing Rules
"Benefun (BVI)"	Benefun (BVI) Limited, a company incorporated in the British Virgin Islands on 18 March 1996, a wholly-owned subsidiary of the Company. Benefun (BVI) holds 75% of the entire equity interests in Fun (Xiamen)
"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
"Completion"	completion of the Acquisition Agreement in accordance with the terms thereof
"Concession Agreement"	the Concession Agreement of the Operating Rights and Forestry Management (新疆生產建設兵團農八師一四二團林業管理承包合同) dated 10 June 2008 entered into by XPCC and PRC Company in relation to the Subject Plantation Land (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)

"connected person"	has the meaning ascribed to it in the Listing Rules
"Consideration"	the total consideration for the Acquisition in the sum of HK$500,000,000
"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
"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 HK$400,000,000 with a conversion price of HK$0.064 per Conversion Share
"Directors"	directors of the Company
"EGM"	an extraordinary general meeting of the Company to be convened and held on 20 October 2008 to approve, amongst other things, the Acquisition Agreement and the issue of Convertible Notes
"Enlarged Group"	the Group together with Ample Rich and its subsidiaries
"Fun (Xiamen)"	Fun (Xiamen) Enterprise Corp. Limited, a wholly-foreign owned enterprise established in the PRC on 28 February 1986 owned as to 25% by Wylkeen and 75% by Benefun (BVI). Fun (Xiamen) owns the entire equity interests in Zhangzhou Gao Hui, and is the registered owner of all those pieces or parcels of lands and the buildings thereon situated at and known as Xin He Industrial Garden (廈門湖里區殿前新禾工業園1-18號)
"Gold Vantage"	Gold Vantage Enterprises Limited, a company incorporated in Hong Kong on 17 July 2007, a wholly-owned subsidiary of Ample Rich
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong GAAP"	the generally accepted accounting principles, standards and practices in Hong Kong (including all applicable Statements of Standard Accounting Practice)

"Latest Practicable Date"	23 September 2008, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular
"Latest Trading Day"	24 June 2008, being the last trading day prior to the suspension of trading in the Shares pending the release of the Announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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
"Noteholder(s)"	holder(s) of the Convertible Notes
"PRC"	the People's Republic of China
"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
"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 for the 1st Profit Guarantee Period and HK$70,000,000 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
"RMB"	Renminbi, the lawful currency of PRC
"Sale Share"	1 ordinary share at par value of US$1 in the share capital of Ample Rich, representing the entire issued share capital of Ample Rich
"Security Convertible Notes"	partial of the Convertible Notes in the principal amount of HK$130,000,000, 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

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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
"Subject Plantation Land"	the plantation land of XPCC (新疆石河子農八師一四二團村地), a site owned by XPCC, consisting of four pieces of land
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Group"	the Target Company together with its subsidiaries
"Vendor"	Blackpool Stadium Limited, a company incorporated in the British Virgin Islands on 3 January 2008
"Wylkeen"	Wylkeen Investment Limited, a company incorporated in the British Virgin Islands on 13th March 1996, a wholly-owned subsidiary of the Company. Wylkeen holds 25% of the entire equity interests in Fun (Xiamen)
"XPCC"	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)
"Zhangzhou Gao Hui"	Zhangzhou City Gao Hui Property Development Company Limited, a limited liability company incorporated under the laws of the PRC on 28 July 1999 and a wholly-owned subsidiary of Fun (Xiamen). Zhangzhou Gao Hui is the registered owner of all those pieces or parcels of lands and the buildings thereon situated at and known as Pearl Garden (2004挂-08號八卦樓東側明珠花園)
"%"	per cent.

* *For identification purpose only*

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
Mr. Zhong Ma Ming
Mr. Fu Zi Cong
Mr. Lo King Fat, Lawrence

Independent Non-executive Directors:
Mr. Cheung Ngai Lam
Mr. Tsang Chung Yu
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

Head Office and Principal Place of Business in Hong Kong:
23rd Floor
Sing Ho Finance Building
166-168 Gloucester Road
Wan Chai
Hong Kong

30 September 2008

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION RELATING TO THE PLANTATION BUSINESS, RE-ELECTION OF RETIRING DIRECTORS

1. INTRODUCTION

On 4 July 2008, the Board announced 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.

The purpose of this circular is to provide you with further details of, among other things, (i) the Acquisition and other disclosures in connection with the Acquisition required pursuant to the Listing Rules; and (ii) the valuation report on the fair value of certain assets of PRC Company, principally the stocks of standing trees on the Subject Plantation Land, and to give you notice of the EGM.

* *For identification purpose only*

2. 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. In or about early June, a business associate of the Company became acquainted with a business associate of the Vendor. These business associates lined up the negotiation between the Vendor and the Company and lead to the Acquisition. 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 and their respective associates; and (b) are not parties acting in concert with other Shareholders.

Assets to be acquired

(a) the Sale Share, representing the entire issued share capital of Ample Rich; and

(b) the Loan of HK$1,705,105.

Consideration

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

(i) as to HK$100,000,000, 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, by the issue of Convertible Notes with a conversion price at HK$0.064 per Conversion Share to the Vendor upon Completion.

The Company intends to finance the Promissory Note with internal financial resources and future profit distributable from PRC Company. As security for the repayment of HK$100,000,000 under the Promissory Note, the Company shall at Completion, enter into a share mortgage in favour of the Vendor in relation to (a) all those issued shares in Wylkeen, representing the entire issued share capital held by the Company; and (b) all those issued shares in Benefun (BVI), representing the entire issued share capital held by the Company. In considering the value of the security to be given under the share mortgage, the Company has only assessed the total amount of the consolidated net asset values of Wylkeen and Benefun (BVI) in the sum of HK$58,758,000, which is less than the principal amount of the Promissory Note (i.e. HK$100,000,000).

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 HK$0.085 per Share as quoted on the Stock Exchange on the Latest Trading Day;

(ii) a discount of approximately 24.71% to the closing price of HK$0.085 per Share as quoted on the Stock Exchange on 23 June 2008, being the last full trading day immediately before the publication of the Announcement;

(iii) a discount of approximately 24.88% to the average closing price of HK$0.0852 per Share as quoted on the Stock Exchange taking into account the closing price of the Shares for 5 full trading days immediately before the publication of the Announcement;

(iv) a discount of approximately 24.88% to the average closing price of HK$0.0852 per Share as quoted on the Stock Exchange taking into account the closing price of the Shares for 10 full trading days immediately before the publication of the Announcement; and

(v) a discount of approximately 13.51% to the closing price of HK$0.074 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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 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 valuation of the stocks of standing trees on the Subject Plantation Land in the amount of RMB530,000,000 (the "**Tree Stocks Valuation**") and the Profit Guarantee. Having taken into account (a) the audited consolidated net liabilities of only approximately HK$0.56 million of Ample Rich as at 30 June 2008; (b) the payments to be borne by PRC Company in acquiring the right to operate the Subject Plantation Land; and (c) 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 that 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

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 price

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:–

$$\frac{A + B}{A + C}$$

where:

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

B = number of Shares based 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 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 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.

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 for the 1st Profit Guarantee Period shall not be less than HK$60,000,000; and

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

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 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 have considered the following facts:–

(a) An amount not less than RMB5,000,000 (the "**Start Up Capital**") will be injected into PRC Company by the Vendor in three months from the date of Completion 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 Plantation Area D (referred to in Appendix IV of this Circular) has been cultivated with poplar trees, part of them is ready for harvest at the moment. Transportation infrastructure (including national highway and roads) in the Subject Plantation Land allows the harvested timber to be transported efficiently for distribution. 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

Completion 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;

(iii) the Vendor having procured PRC Company to enter into a supplemental agreement with XPCC to supplement the terms of the Concession Agreement by providing that PRC Company shall have the right to terminate the lease of the Relevant Lands if PRC Company and XPCC fail to reach an agreement on the concession fees from the 16th year of the term of the Concession Agreement;

(iv) the passing of the relevant resolutions at the EGM by the Shareholders for approving the Acquisition Agreement and the transactions contemplated therein;

(v) 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;

(vi) the Stock Exchange granting listing of, and permission to deal in, the Conversion Shares;

(vii) 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.

As at the Latest Practicable Date, condition (ii) above has been fulfilled.

In the event that the conditions are not fulfilled on such date as agreed between the parties, the deposit of HK$100,000,000 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. Upon Completion, Ample Rich will become a wholly-owned subsidiary of the Company.

Financial Information of Ample Rich

The following tables set out a summary of the audited consolidated financial information of Ample Rich and its subsidiaries:

	As at 30 June 2008
	HK$
Total Assets	1,235,255
Total Liabilities	1,778,730
Total Net Liabilities	543,475

	For the period from 13 July 2007 (date of incorporation) to 30 June 2008
	HK$
Loss before tax	557,200
Loss after tax	557,200

Up to the Latest Practicable Date, 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, 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 related plantation 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 XPCC entered into the Concession Agreement, pursuant to which the Subject Plantation Land was allotted to PRC Company on the basis of a 30 years' term lease. As XPCC only plants and cultivates trees on the Subject Plantation Land, there is no track record for the operation of the Subject Plantation Land by XPCC.

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 PRC Company by different instalments during the terms of the Concession Agreement. The first instalment has been paid by PRC Company to XPCC as part payment of the Consideration of CA. 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 PRC Company, over the period of 30 years of term lease.

The Consideration of CA consists of 2 parts, namely (a) the consideration for purchase of certain plant and equipment in the maximum amount of RMB9,000,000; and (b) the concession fees of the Subject Plantation Land in the total amount of RMB72,320,000.

The consideration for purchase of certain plant and equipment is subject to valuation adjustment, on a dollar-to-dollar basis, by reference to an independent valuation report to be issued by an independent valuer within three months after the date of the Concession Agreement provided that the maximum amount of the said consideration is RMB9,000,000.

The concession fees of two pieces of land of the Subject Plantation Land (the "Relevant Lands", which is Plantation Area A and Plantation Area B referred to in Appendix IV of this circular) in the total area of 20,000 Chinese mu are subject to adjustment (to be agreed between PRC Company and XPCC) from the 16th year of the term of the Concession Agreement upon the condition that the new concession fees will not be higher than the relevant prevalent most preferential conditions and consideration applicable to the Subject Plantation Land as promulgated by the relevant government authority at that time. Save for the above condition, there is no maximum cap on the adjustment of the said concession fees of the Relevant Lands. The additional concession fees (if any) after such adjustment will be borne by the Enlarged Group. Having taken into account (a) the average concession fee per one Chinese mu per year of the Subject Plantation Land as calculated from the total concession fees under the Concession Agreement for the first 15 years of the term of the Concession Agreement is approximately RMB49 (the "**Average Concession Fee Per Mu**"). The Average Concession Fee Per Mu represents approximately 50% discount to the average concession fee per one Chinese mu per year of other similar plantation lands which are leased out by XPCC to other parties; (b) the average market concession fee per one Chinese mu per year of other similar plantation lands under similar concession agreements in Xinjiang is RMB140 (the "**Market Concession Fee Per Mu**"). This information is obtained by the Company from The Shihezi Forestry Department in Xinjiang. The Average Concession Fee Per Mu is lower than the Market Concession Fee Per Mu; (c) PRC Company has confirmed to the Company that the said factors were considered by PRC Company and XPCC in determining the Average Concession Fee Per Mu. The Company believes that these factors will also be considered in determining the new concession fee of the Relevant Lands in the future; (d) it is a condition precedent that the Vendor shall procure PRC Company to enter into a supplemental agreement with XPCC to supplement the terms of the Concession Agreement by providing that PRC Company shall have the right to terminate the lease of the Relevant Lands if PRC Company and XPCC fail to reach an agreement on the concession fees from the 16th year of the term of the Concession Agreement; (e) the Relevant Lands is not yet planted; and (f) the total area of the Relevant Lands constitutes only one-third of the total area of the Subject Plantation Land, the Directors consider that the terms of the Concession Agreement (to be supplemented by the said supplemental agreement), the Average Concession Fee Per Mu and the total concession fees payable under the Concession Agreement are fair and reasonable to the Enlarged Group and the Shareholders as a whole.

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.

2) Subject Plantation Land

The total area of the Subject Plantation Land is 60,000 Chinese mu (1 mu = 666.67 square metres). The Subject Plantation Land consists of four pieces of land. The areas of the said four pieces of land are 12,000 Chinese mu, 8,000 Chinese mu, 10,000 Chinese mu and 30,000 Chinese mu. 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, draught, 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.

MANAGEMENT DISCUSSION & ANALYSIS OF THE GROUP

1. Financial period ended 31 December 2007

BUSINESS AND OPERATIONAL REVIEW

The turnover of the Group for the six months ended 31 December 2007 was approximately HK$73.6 million, as compared with HK$86.3 million for the corresponding period of last year. The loss attributable to shareholders was HK$20.2 million, as compared with a net loss of HK$10.3 in the same period of last year.

In the period under review, the Group faced difficult situation in its retail business. Price competition was fierce, while the cost of product supply, and the operating costs on shop rental and manpower surged to a record high level. The strong demand for presence by new local and international retailers pushed certain shop rentals up by 2 to 3 times. The high turnover of frontline personnel made the retail operation very unstable.

In response to this turbulent retail environment, the Group adopted a policy to retrench its retail business further in the period to preserve resources for other business challenges. As at 31 December 2007, the Group operated 72 "Fun" brand stores in China, of which 68 were managed directly by the Group, while 4 were operated on franchise basis.

The Group continued to outsource all production orders to external factories in order to take better benefit on bulk purchasing and to reduce risk. The Group had also launched stringent measures to curb operating cost increase. Nevertheless, we managed to sell unique quality fashion wears identified with a contemporary style. Ladies' wear and men's wear for casual, denim and contemporary collections continued to be well structured and delivered to our customers.

The development projects in Zhangzhou City of Fujian Province were progressed smoothly according to our plan. The construction of a 22-storey commercial/residential building known as "Singapore Ritz" with an usable area of approximately 15,800 square meters is at completion stage and will be available for sale before the end of year 2008. The pre-construction plan for another two pieces of land with a total land area of approximately 30,000 square meters was mostly completed.

On 4 January 2008, a placement issue of 320 million new ordinary shares of HK$0.01 each at a price of HK$0.072 each were made to three independent subscribers, namely, Mr. Neo Hock Soon, Ms. Neo Guek Peng and Mr. Fan Po Lo. The net proceeds of approximately HK$22.8 million are intended to be used as to approximately HK$9.1 million for general working capital, and as to approximately HK$13.7 million for expansion of property development and business of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The gross profit percentage of sales in self-operated stores was approximately 38%, while that of sales to franchise stores was 33%.

Apparel inventory level as at 31 December 2007 was HK$5.2 million, as compared with HK$10.9 million at 30 June 2007. Average stock turnover for the period was 0.7 month, as compared with 1.0 month for the same period last year.

Net cash inflow from operating activities was HK$8.9 million, compared with a net cash outflow of HK$13.1 million for the same period last year. Cash balance at 31 December 2007 was HK$40.5 million, compared with a balance of HK$20.4 million at 30 June, 2007.

Outstanding bank loans as at 31 December 2007 amounted to HK$41.7 million, compared with a balance of HK$40.0 million as at 30 June 2007. The bank loans are secured by the Group's interest in leasehold land included in inventories under the category of properties under development and the Group's investment properties and interest in leasehold land held for own use under operating leases.

Capital commitment contracted for but not provided in the financial statement as at 31 December 2007 was approximately HK$30.5 million, as compared with HK$29.4 million at 30 June 2007.

The debt equity ratio at 31 December 2007 was 0.55, compared with 0.42 at 30 June 2007.

The Group's current ratio at 31 December 2007 was 1.16, compared with 1.42 at 30 June 2007. Quick ratio was 0.84, compared with 1.09 as at 30 June 2007.

SHARE CAPITAL

The authorized share capital of the Group as at 31 December 2007 was HK$100 million and the issued and fully paid share capital of the Group as at 31 December 2007 was HK$16.4 million.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's transactions and borrowings are denominated in Hong Kong dollars and Renminbi. Therefore, the Group's exposure to exchange rate fluctuation is relatively insignificant. In general, the Group mainly uses its Renminbi income receipt for operating expenditures in China and does not use any financial instruments for hedging purpose.

PLEDGE OF ASSETS

The Group's bank borrowing facilities are secured by the Group's interest in leasehold land included in inventories under the category of properties under development with an aggregate carrying value of HK$33.4 million and the Group's investment properties and interest in leasehold land held for own use under operating leases with aggregate carrying value of HK$39.9 million.

CONTINGENT LIABILITIES

The Group do not have contingent liabilities of material amounts outstandings as at 31 December 2007.

CAPITAL COMMITMENT

Capital commitment in relation to the acquisition of land use rights and property development cost contracted for but not provided in the financial statement as at 31 December 2007 was approximately HK$30.5 million.

HUMAN RESOURCE

At 31 December 2007, the Group had 760 employees of which 757 were employed in the PRC for the Group's retailing and property development businesses. The Group offers competitive remuneration, bonus and share option packages based on the performance of the Group and that of individual employees. We also provide relevant training programs to strengthen the Group's human resources and keep high quality personnel at all levels.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

So far as the Directors are aware, the Group had no significant investments, acquisitions and disposal for the period ended 31 December 2007.

2. Financial period ended 30 June 2007

BUSINESS AND OPERATIONAL REVIEW

The Group's turnover for the year ended 30 June 2007 decreased by 29.9 percent to HK$153.7 million. The Group suffered a loss amounting to HK$38.2 million.

The unsatisfactory results for the year under review were mainly due to the following reasons:

1. Price war among new and old fashion retailing competitors was serious. Consumers hesitated in price selection and brand loyalty while retailers had pressure on turnover inventories. Profit margin could not be improved because early and substantial sales discounts became a usual business practice in China;

2. Shop rent increased at high rates upon lease renewal. Sales increases could not match at the same pace with general rental increases;

3. Overall operating cost including salary etc increased at a high rate;

4. Higher stock write-off, and fixed asset write-off upon closure of production plants.

LIQUIDITY AND FINANCIAL RESOURCES

The gross profit was HK$53.9 million as compared with HK$70.9 last year. Gross profit percentage was 35.1% as compared with 32.3% last year.

Apparel inventory level was HK$10.9 million, as compared with HK$9.3 million last year. Average stock turnover for the year was 1.3 months, as compared with 1.2 months.

Net cash outflow from operating activities was HK$27.1 million for the reporting year, compared with HK$30.2 million for the prior year. Cash balance at the year end amounted to HK$20.4 million, versus HK$4.7 million at the prior year end.

Outstanding bank loans as at 30 June 2007 was HK$40.0 million (2006: HK$5.8 million). The bank loans were secured by the Group's interest in leasehold land included in inventories under the category of properties under development and the Group's investment properties and interest in leasehold land held for own use under operating lease.

Capital commitment contracted for but not provided in the financial statement at 30 June 2007 was approximately HK$29.4 million, as compared with HK$40.0 million last year.

The debt equity ratio as at 30 June 2007 was 0.42, compared with 0.06 on the same date last year.

The Group's current ratio as at 30 June 2007 was 1.42, as against 2.43 at the prior year end. Quick ratio was 1.09, versus 1.91 at the prior year end.

SHARE CAPITAL

The authorized share capital of the Group as at 30 June 2007 was HK$100 million and the issued and fully paid share capital of the Group as at 30 June 2007 was HK$16.4 million.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's transactions and borrowings are denominated in Hong Kong dollars and Renminbi. Therefore, the Group's exposure to exchange rate fluctuation is relatively insignificant. In general, the Group mainly uses its Renminbi income receipt for operating expenditures in China and does not use any financial instruments for hedging purpose.

PLEDGE OF ASSETS

The Group's bank borrowing facilities are secured by the Group's interest in leasehold land included in inventories under the category of properties under development with an aggregate carrying value of HK$16.9 million and the Group's investment properties and interest in leasehold land held for own use under operating leases with aggregate carrying value of HK$37.6 million.

CONTINGENT LIABILITIES

The Group do not have contingent liabilities of material amounts outstandings as at 30 June 2007.

CAPITAL COMMITMENT

Capital commitment in relation to the acquisition of land use rights and property development cost contracted for but not provided in the financial statement as at 30 June 2007 was approximately HK$29.4 million.

HUMAN RESOURCE

As at 30 June 2007, the Group had 1,288 employees. The Group offers competitive remuneration, bonus and share option packages based on the performance of the Group and that of individual employees. Much weighting is placed on keeping high quality personnel at all levels. Relevant training courses are offered to employees regularly.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

So far as the Directors are aware, the Group had no significant investments, acquisitions and disposal for the year ended 30 June 2007.

3. Financial period ended 30 June 2006

BUSINESS AND OPERATIONAL REVIEW

For the year under review, the Group's turnover was approximately HK$219.4 million, representing an increase of 6.1 percent as compared with HK$206.9 million as restated last year. Gross profit amounted to HK$71.0 million, representing a decrease of 7.6 percent as compared with HK$76.8 million last year. The loss attributable to shareholders was HK$6.1 million, after an adjustment of HK$1.6 million for the fair value of the new share options, compared with a net profit of HK$6.0 million last year.

The directors do not recommend payment of any dividend in respect of the year ended 30 June 2006.

In the year under review, the Group had consistently focused its business in China. The economic and political environment remained quite stable in the nation. The promising GDP growth had fostered a steady consumer demand favoring our fashion retailing business. As at 30 June 2006, the Group operated 235 "Fun" brand stores in China. The number of directly managed stores increased by 19.3 percent to a total of 148, while the number of franchise stores decreased by 40.4 percent to 87 in total. Most of our retail stores experienced a year-on-year sales increase. The retail situation was dynamic yet volatile. To expand aggressively yet with modest risk, the Group had been revamping and restructuring its franchising mechanism to prepare for a new phase of development. We believed that the new phase of franchising would prevail in our market expansion. We allowed certain expiring franchisees to lapse without renewal, and programmed to invite only high caliber franchisees to run our innovative "Fun" shops under our new concept.

The Group had persevered in its strategy of enhancing market shares and improving margin through strong brand positioning and strong customer loyalty. We had further upgraded our brand image, and focused sharply on our target at the emerging high spending niche of elegant, educated yet trendy youths and young families. Designated programmes on merchandise restructuring were hence carried out in the second half-year. We aimed to participate in the global fashion world. We increased the number of product ranges and trendy collections in the year. Each collection had its distinctive style and meaning. We had our denim collection building up our labeled culture – a U.S. lifestyle expressing adventures and "fun". We had the contemporary collection tailoring to the educated yet trendy youths, and the basic collection catering to our elegant and loyal customers. Coupled with relaxed atmospheres and enjoyable services in our stores, the good product quality and designs had well presented the brand character of "Fun" and its image.

Property development projects in Zhangzhou City of Fujian Province were in smooth progress according to our timetable. The first commercial/residential building with a usable area of approximately 1,290 square meters was completed. All of its units were sold. The ground construction for another piece of land with an area of 15,800 square meters was at the completion stage. The land was intended for erection of a 22– storey commercial/residential building. This project is expected to complete for sale in the near future.

LIQUIDITY AND FINANCIAL RESOURCES

As a result of merchandise restructuring and franchise re-composition, the temporary business interruption had affected the gross profit performance. The gross profit was HK$70.9 million as compared with HK$76.8 million last year. Gross profit percentage was 32.3%, as compared with 37.1% last year.

Because of merchandise review and the corresponding stock adjustment programmes, the apparel inventory level was reduced to HK$9.3 million from HK$18.4 million last year. Average stock turnover for the year was 1.2 months, as compared with 1.7 months last year.

Net cash outflow from operating activities was HK$30.2 million for the reported year, compared with net cash inflow of HK$15.6 million for the prior year. Cash balance at the year end amounted to HK$4.7 million, versus HK$41.3 million at the prior year end.

Outstanding bank loans as at 30 June 2006 was HK$5.8 million (2005: HK$8.9 million). The bank loans were secured by the Group's interest in leasehold land included in inventories under the category of properties under development with an aggregate carrying value of HK$6.9 million.

Capital commitment contracted for but not provided in the financial statement at 30 June 2006 was approximately HK$40.0 million, as compared with HK$21.7 million last year.

The debt equity ratio as at 30 June 2006 was 0.06, compared with 0.09 on the same date last year.

The Group's current ratio as at 30 June 2006 was 2.43, as against 1.68 at the prior year end. Quick ratio was 1.91, versus 1.23 at the prior year end.

SHARE CAPITAL

The authorized share capital of the Group as at 30 June 2006 was HK$100 million and the issued and fully paid share capital of the Group as at 30 June 2006 was HK$13.3 million.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's transactions and borrowings are denominated in Hong Kong dollars and Renminbi. Therefore, the Group's exposure to exchange rate fluctuation is relatively insignificant. In general, the Group mainly uses its Renminbi income receipt for operating expenditures in China and does not use any financial instruments for hedging purpose.

PLEDGE OF ASSETS

The Group's bank borrowing facilities are secured by the Group's interest in leasehold land included in inventories under the category of properties under development with an aggregate carrying value of HK$6.9 million.

CONTINGENT LIABILITIES

The Group do not have contingent liabilities of material amounts outstandings as at 30 June 2006.

CAPITAL COMMITMENT

Capital commitment in relation to the acquisition of land use rights and property development cost contracted for but not provided in the financial statement as at 30 June 2006 was approximately HK$40 million.

HUMAN RESOURCE

As at 30 June 2006, the Group had 2,253 employees. The Group offers competitive remuneration, bonus and share option packages based on the performance of the Group and that of individual employees. Much weighting is placed on keeping high quality personnel at all levels. Relevant training courses are offered to employees regularly.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

So far as the Directors are aware, the Group had no significant investments, acquisitions and disposal for the year ended 30 June 2006.

4. Financial period ended 30 June 2005

BUSINESS AND OPERATIONAL REVIEW

For the fiscal year ended 30 June 2005, the Group's turnover increased modestly by 2.5% and amounted to HK$194.2 million (2004: HK$189.5 million). Gross profit amounted to HK$64.1 million (2004: HK$68.4 million), decreased by 6.3% compared to the previous year. Nevertheless, net profit attributable to shareholders increased by 51% to HK$5.9 million (2004: HK$3.9 million).

The directors do not recommend payment of any dividend in respect of the year ended 30 June 2005.

Over the years, the Group has accumulated extensive experience in operating apparel business in China. The economic and political environments in China are stable and indeed improving steadily. The GDP growth is promising. This has fostered a steady consumer market development favoring our retailing business. As at 30 June 2005, the Group operated 270 "Fun" brand stores in Mainland China, of which 124 were managed directly by the Group, and 146 were operated on franchise basis. Most of our retail stores experienced a year-on-year sales increase. Our nationwide franchising strategy by inviting local young entrepreneurs to form partnerships with us has been very attractive and successful. Merchandise was sold to these operators directly at a lower margin. This enabled our Group to reduce the operating expenses and risk substantially in return.

Fashion retailing market in China is very competitive. Various international brands intend to expand their market share in China. The Group has maintained its strategy of strong brand positioning and high customer loyalty in order to grow our business persistently. Strong brand image defined through stylish designs and quality for value, eye-catching shop displays, and efficient delivery logistics are requisite for our long term expansion.

We have reinforced brand development by delivering differentiated products with high quality, style and value to our customers at the right time and place. In pace with the changing fashion trend, we managed 4 collections with 10 deliveries throughout the year. Each collection had its unique style and presentation. They were uniquely identified by collections including "denim", "casual" and "sports" series respectively. To present brand character, we upgraded our stores regularly. We aimed to provide a relaxed lifestyle store ambiance and enjoyable services to our customers. The launch of different styles of casual lines coupled with country wide advertising campaigns through billboards and event sponsorships have effectively strengthened our brand image.

Our export activity, primarily shipments to Japan, contributed to both our turnover and our profit margin continuously though not substantially. Order flows from Japan had been stable. The textile quota disputes between the PRC and the USA and the European countries respectively had no adverse effect on our exports.

Recently, in order to improve cost control, procurement and logistics, we shifted our major production facilities from Anxi to Xiamen. This has simplified the manufacturing processes and shortened delivery lead-time to shops and customers.

The property projects in Zhangzhou City of Fujian province were launched smoothly and successfully. The first commercial/residential building with a gross floor area of approximately 1,290 square metres was completed recently and most of the units were pre-sold. The Group has commenced development for another piece of land with a gross floor area of 15,800 square metres. Property projects are expected to generate another kind of revenue for the Group in the future years.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy net cash position during the year. Net cash inflow from operating activities was HK$15.1 million for the reported year, compared with HK$1.7 million for the prior year. Cash balance at the year-end amounted to HK$41.3 million, versus HK$17.9 million at the prior year-end.

Inventory under apparel manufacturing segment was maintained at HK$18.4 million as at 30 June 2005 (2004: HK$16.3 million). Average stock turnover for the year maintained at 1.7 months (2004: 1.6 months).

Outstanding bank loans as at 30 June 2005 was HK$8.9 million (2004: HK$9.9 million). The bank loans were secured by the Group's properties with an aggregate carrying value at approximately HK$27.8 million at 30 June 2005.

Capital commitment contracted for but not provided in the financial statement at 30 June 2005 was approximately HK$21.7 million (2004: HK$23.9 million).

The Group's bank borrowings at 30 June 2005 were in Renminbi and the Group continues to derive its revenue mainly in the same currency. Therefore its exposure to exchange rate fluctuation is not significant.

The debt equity ratio as at 30 June 2005 was 0.09, compared with 0.11 on the same date last year. The Group's current ratio as at 30 June 2005 was 1.68, as against 1.26 at the prior year-end. Quick ratio was 1.23, versus 0.98 at the prior year-end.

SHARE CAPITAL

The authorized share capital of the Group as at 30 June 2006 was HK$100 million and the issued and fully paid share capital of the Group as at 30 June 2006 was HK$13.3 million

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's transactions and borrowings are denominated in Hong Kong dollars and Renminbi. Therefore, the Group's exposure to exchange rate fluctuation is relatively insignificant. In general, the Group mainly uses its Renminbi income receipt for operating expenditures in China and does not use any financial instruments for hedging purpose.

PLEDGE OF ASSETS

The Group's bank borrowing facilities are secured by the Group's properties with an aggregate carrying value of HK$27.8 million.

CONTINGENT LIABILITIES

The Group do not have contingent liabilities of material amounts outstandings as at 30 June 2005.

CAPITAL COMMITMENT

Capital commitment in relation to the acquisition of land use rights and property development cost contracted for but not provided in the financial statement as at 30 June 2005 was approximately HK$21.7 million.

HUMAN RESOURCE

As at 30 June 2005, the Group employed a total of 2,317 full-time employees (2004: 2,112). The Group remunerates its employees on performance basis. The Group also offers medical benefits, retirement plans, share options, and discretionary performance bonuses, We manage to keep high quality personnel at all levels.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

So far as the Directors are aware, the Group had no significant investments, acquisitions and disposal for the year ended 30 June 2005.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF AMPLE RICH AND PRC COMPANY

Financial period ended 30 June 2008

BUSINESS AND OPERATIONAL REVIEW

Ample Rich was incorporated in the British Virgin Islands as a private company with limited liability on 13 July 2007. On 14 November 2007, Gold Vantage, a wholly-owned subsidiary of Ample Rich, established PRC Company in the PRC as a wholly-foreign owned enterprise. During this period, the business of the Target Group, including PRC Company, remained at a pre-commencement preparation stage and accordingly has not derived any turnover from the sale of forestry products.

LIQUIDITY AND FINANCIAL RESOURCES

Set out below is the management discussion and analysis on the Target Group for the period ended 30 June 2008.

Results

	Jun 2008
	HK$
Revenue	600
Loss for the period	557,200

Net assets/liabilities

Set out below is a summary of the audited accountants' report on Target Group as at 30 June 2008 which was prepared on the bases as set out on page 91 of this circular.

	Jun 2008
	HK$
Total assets	1,235,255
Total liabilities	1,778,730
Net liabilities	543,475
Gearing ratio*	0%

* *The gearing ratio is defined as total debt over total assets*

CASH AND BANK BALANCES

As at 30 June 2008, the Target Group aggregate cash and bank balances amount to HK$79,044 representing 7.4% of total current assets.

SHARE CAPITAL

The maximum number of shares that the Target Group is authorized to issue is 50,000 and the issued and fully paid share capital of the Target Group as at 30 June 2008 was 1 share of US$1.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Target Group's transactions are denominated in Hong Kong dollars and Renminbi. Therefore, the Target Group's exposure to exchange rate fluctuation is relatively insignificant. In general, the Target Group mainly uses its Renminbi income receipt for operating expenditures in China and does not use any financial instruments for hedging purpose.

BORROWINGS

The Target Group do not have borrowing from bank or financial institution as at 30 June 2008.

PLEDGE OF ASSETS

The Target Group do not have interest-bearing borrowing and no assets were pledged as at 30 June 2008.

CONTINGENT LIABILITIES

The Target Group do not have contingent liabilities of material amounts outstandings as at 30 June 2008.

CAPITAL COMMITMENT

Capital commitment in relation to the acquisition of certain plant and equipment erected in a plantation land contracted for but not provided in the financial statement as at 30 June 2008 was approximately HK$10,237,000.

SEGMENTAL INFORMATION

No business and geographical segment analyses are presented as the Target Group principally operates a single business segment which is plantation research development on plantation related technologies for the period and most of the assets and operations of the Target Group are located in the PRC.

HUMAN RESOURCE

No staff employed by the Target Group as at 30 June 2008.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

On 10 June 2008, Foshan Gold Vantage Forestry Limited, an indirectly wholly owned subsidiary of the Target Group, entered into a concession agreement with XPCC to acquire the operating rights of the plantation land for the consideration of RMB81,320,000.

Financial effects of the Acquisition

Following the Completion, the Target Group will become wholly-owned subsidiaries of the Company and the Group will be able to consolidate the results of the Target Group. The audited net loss of the Group for the year ended 30 June 2007 was approximately HK$38.25 million. According to the unaudited pro forma income statement of the Enlarged Group as set out in Appendix III to this circular, the pro forma net loss of the Enlarged Group would have been approximately HK$93.58 million.

The audited consolidated total assets of the Group as at 31 December 2007 was approximately HK$203.83 million. As set out in Appendix III to this circular, the pro forma total assets of the Enlarged Group would have been approximately HK$849.53 million.

The audited consolidated total liabilities of the Group as at 31 December 2007 was approximately HK$127.94 million. As set out in Appendix III to this circular, the pro forma total liabilities of the Enlarged Group would have been approximately HK$732.18 million.

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 that the Acquisition represents 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, having taken into account the following factors:–

(a) the Tree Stocks Valuation of RMB530,000,000 is equivalent to HK$602,663,000 (at the exchange rate of RMB1 = HK$1.1371);

(b) the Consideration of CA is RMB81,320,000, which is equivalent to HK$92,468,972 (at the exchange rate of RMB1 = HK$1.1371);

(c) the total of the Consideration (HK$500,000,000) and the Consideration of CA in the amount of HK$592,468,972 represents a discount of HK$10,194,024 from the Tree Stocks Valuation;

(d) the concession fees of the Subject Plantation Land in the total amount of RMB72,320,000 (which is equivalent to HK$82,235,072 by adopting the exchange rate of RMB1 = HK$1.1371) is the total sum to be paid by the Enlarged Group over the period of 30 years of the term lease;

(e) the market value basis of the Tree Stocks Valuation is the market practice and approach in valuating projects similar to the Acquisition;

(f) a preliminary PRC legal opinion has been issued on the legal rights to operate the Subject Plantation Land and other rights, benefits and entitlements therefrom under the Concession Agreement. Completion of due diligence review by PRC lawyers and delivery of a further PRC legal opinion are made as conditions precedent to Completion;

(g) upon Completion, PRC Company will operate the Subject Plantation Land in continued use and as a going-concern business and the market value of the stocks of standing trees on the Subject Plantation Land shall be realized into the revenue of PRC Company;

(h) the business relating to the Subject Plantation Land is of a self-sustainable nature. Start Up Capital will be injected into PRC Company by the Vendor in three months from the date of Completion for the business relating to the Subject Plantation Land;

(i) it is estimated that there will be revenue arising from the business relating to the Subject Plantation Land in four to six months from Completion, and further revenue will be generated thereafter;

(j) since (1) the Consideration will be satisfied by the issue of the Promissory Note and the Convertible Notes; and (2) the Start Up Capital will be provided by the Vendor, there will not be immediate significant cash outflow by the Company for the Acquisition and the operation of the business relating to the Subject Plantation Land;

(k) if the Profit Guarantee is fulfilled, PRC Company will make a net profit of HK$130,000,000 for the Profit Guarantee Period, in which case PRC Company will be able to satisfy the Consideration of CA and to finance the Company in making payment under the Promissory Note, which will be repayable on demand at any time starting from 24 December 2009;

(l) the Company has a loss (before income tax expense) of HK$38,715,000 for the year ended 30 June 2007. If the Profit Guarantee for the 1st Guarantee Period is fulfilled, the Company will make a profit of HK$60,000,000 generated by PRC Company for the 1st Profit Guarantee Period;

(m) there has not been any prior business or other relationship between the Company and XPCC and the plantation business is a new emerging business to the Company. The Directors are of the view that the Company would not be in the position to acquire the rights of operating the Subject Plantation Land directly from XPCC either at its market value or at the Consideration of CA;

(n) while the Consideration of CA is much lower than the market value of the stocks of standing trees on the Subject Plantation Land, the Consideration of CA is a commercial decision of XPCC and PRC Company having regard to the business relationship between PRC Company and XPCC;

(o) The Company has sent its representatives and employees to conduct site inspection and assessment on the Subject Plantation Land and the trees on the Subject Plantation Land, and to contact the representatives of XPCC. These representatives and employees have the relevant expertise to conduct the site inspection and assessment, which includes (i) an expert in modern plantation technologies & management systems with over 28 years' experience in plantations in PRC; and (ii) an experienced operation auditor with professional qualification in total quality management and civil engineering;

(p) The Company has engaged a PRC legal firm to conduct legal due diligence review on PRC Company, the Concession Agreement and XPCC's rights and benefits in respect of the Subject Plantation Land and the trees thereon. While the legal due diligence is still underway, the PRC legal firm has prepared preliminary legal opinion confirming the following:–

    (i) XPCC has the relevant land use right of the Subject Plantation Land;

(ii) XPCC has all the rights and benefits in respect of the trees on the Subject Plantation Land;

(iii) XPCC and PRC Company are capable to enter into the Concession Agreement;

(iv) The Concession Agreement can be enforced by XPCC and PRC Company in accordance with the terms of the Concession Agreement;

(v) PRC company is entitled to enjoy and exercise all the rights and benefits 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; and

(vi) PRC Company is capable and entitled to apply to the relevant governmental authority for trees harvest licence in respect of the matured trees on the Subject Plantation Land (the "**Matured Trees**");

(q) In the legal due diligence review on XPCC's rights and benefits in respect of the Subject Plantation Land and the trees thereon, the PRC legal firm noted that XPCC did not have the trees harvest licence in respect of the Matured Trees. PRC Company passed the said concern of the PRC legal firm to XPCC;

(r) In order to show that trees harvest licence in respect of the Matured Trees can be obtained from the relevant governmental authority, XPCC applied for such trees harvest licence with the understanding and agreement with PRC Company that XPCC will not carry out any harvest activity on the Subject Plantation Land. The Vendor has confirmed with the Company that the relevant governmental authority has issued to XPCC the trees harvest licence in respect of the Matured Trees;

(s) XPCC has not carried out any harvest activity on the Subject Plantation Land. As XPCC has not carried out any harvest activity on the Subject Plantation Land, the status of the Matured Trees as reflected in the Tree Stocks Valuation will not change before Completion;

(t) PRC Company is capable and entitled to apply to the relevant governmental authority for trees harvest licence in respect of the Matured Trees. XPCC will render assistance, if necessary, to PRC Company in this respect; and

(u) The Company has also engaged professional accountants to conduct audit on the financial statements of the Target Group for the period ended 30 June 2008. The audit was completed. The accountants' report of the Target Group as set out in Appendix II of this circular has been prepared on the basis of such audit. After considering the said accountants' report, the Directors consider that the Acquisition is fair and reasonable and the entering into the Acquisition Agreement is in the interest of the Company and its shareholders as a whole.

The Directors consider that the Acquisition will improve the Group's earning base with respect to the Tree Stocks Valuation in the amount of RMB530,000,000 and the Profit Guarantee. 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.

After the Acquisition has been consummated, the Company intends to retain the existing management and professional team of PRC Company. Such management and professional team possesses the necessary expertise and experience to manage and operate the plantation business of PRC Company. This includes a team of technical controllers from various national senior agronomist of Agricultural, Forestry and Animal Husbandry Bureau, Shihezi City, Xinjiang, leading expert from National Development and Reform Commission, leading expert of National State Forestry Administration and professor from Agricultural University, etc.

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, 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. The Acquisition will not result in a change of control of the Company.

3. 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 and Conversion Shares, 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 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.

4. SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE COMPLETION

As at the Latest Practicable Date, 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.

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Completion and assuming the Convertible Notes are fully converted into Conversion Shares and (iii) immediately after Completion and assuming the Convertible Notes are partly converted into Conversion Shares:–

Shareholders	Existing shareholding (as at the Latest Practicable Date)		Immediately after Completion and assuming the Convertible Notes are fully converted into Conversion Shares *(Note 4)*		Immediately after Completion and assuming the Convertible Notes are partly converted into Conversion Shares *(Note 5)*	
	No. of Shares held	% of issued share capital of the Company	No. of Shares held	% of enlarged share capital of the Company	No. of Shares held	% of enlarged share capital of the Company
Mr. Tan Sim Chew *(Note 1)*	248,505,226	12.71%	248,505,226	3.03%	248,505,226	8.90%
Leader Symbol Holdings Limited *(Note 2)*	138,242,477	7.07%	138,242,477	1.68%	138,242,477	4.95%
Other Directors *(Note 3)*	7,174,000	0.37%	7,174,000	0.09%	7,174,000	0.26%
Public Shareholders	1,561,107,297	79.85%	1,561,107,297	19.03%	1,561,107,297	55.90%
Vendor	–	–	6,250,000,000	76.17%	837,470,643	29.99%
Total	1,955,029,000	100.00%	8,205,029,000	100.00%	2,792,499,643	100.00%

Note:

1. Mr. Tan Sim Chew is the executive Director.

2. Leader Symbol Holdings Limited is wholly-owned by Ms. Ng Guek Keow.

3. Mr. Fu Zi Cong (being the executive Director) owns 3,874,000 Shares and Mr. Lo King Fat Lawrence (being the executive Director) owns 3,300,000 Shares as at the Latest Practicable Date.

4. 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.

5. 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 4 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.

5. 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 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).

6. RECENT DEVELOPMENT OF THE GROUP

In view of the fierce competition of the garment business, the Group has been continuing to search for other business opportunities for business diversification.

To complement the fierce competition in the garment business, in June 2008, the Group diversified into the ecological plantation business through the acquisition of the entire issued capital of Ample Rich. Ample Rich operates for a term of 30 years the Subject Plantation Land, flatland area of which has been mainly cultivated with poplar trees with timber volume estimated as 632,991 cubic metres of market value of RMB530,000,000. The Subject Plantation Land situates in Shihezi City (石河子市) which is about 150 kilometers west from the provincial capital Urumqi and connected by the China national highway No. 312 and railways.

Upon acquisition of Ample Rich, the Group's plantation operation mainly includes (i) direct plantation on self-acquired plantation land with its own resources for full economical benefits; and (ii) subcontracted plantation activities to plantation operators utilizing their resources for mutual economical benefit. Majority of sales of poplar wood will be for wood pulp and paper making industries and for wood furniture manufacturers. The demands for paper and wood furniture remain robust over the past few years. Majority of sale of castor seed will be for castor oil processing factories in China. The international trading price of castor seed is surging up over the past few years.

7. FINANCIAL AND TRADING PROSPECTS

We foresee that the fashion retail market will be increasingly competitive and volatile. The Group will operate retail business under modest risk and low cost only. We will continue to terminate the leases of loss-making shops immediately or allow them to lapse upon expiry. Nevertheless, we will maintain a smaller retail operation with good effort, and will boost the Company's product image through cost-effective communication of its unique brand character to our selected customers.

A strong and expanding China economy leads to fast diffusion of urbanization to second and third tier cities. The gradual evolution of a nationwide middle class has created a strong demand for quality houses and apartments. In the long run, we believe that the macro-economic policies of the Government will foster a stable and healthy economic growth in China. The Group will prudently take good business opportunities from the reforming yet booming property market to advance growth.

The construction of the 22-storey commercial/residential building known as "Singapore Ritz" in Zhongzhou City is at completion stage and will be launched into the market in early 2009. The pre-construction plan for another two pieces of land in Zhongzhou with a total land area of approximately 30,000 square meters has been mostly completed. The actual pre-construction work will commence once relevant Government certificates are obtained in year 2009. The Group's investment property is mostly being factory premises situated in Xiamen. It derives approximately HK$4-5 million rental income per annum.

The Directors forecast that the existing garment business of the Group will be continued in future. There are presently no expansion plan for the business.

On the newly diversified plantation business, the profit is forecasted to be contributed mainly from the sale of poplar wood and castor seed. The plantation works will be carried out in the Subject Plantation Land in the subject Xinjiang region. Based on professional survey performed, as at 26 September 2008, the harvestable volume of poplar wood assets was assessed as approximately 632,991 cubic metres with market value of RMB530 million. The initial logging and sale of poplar wood will avail working capital and cash resources for future large scale plantation of poplar tree and castor plant.

8. RE-ELECTION OF RETIRING DIRECTORS

The Board of Directors currently consists of seven Directors, namely Mr. Tan Sim Chew, Mr. Zhong Ma Ming, Mr. Fu Zi Cong, Mr. Lo King Fat, Lawrence, Mr. Cheung Ngai Lam, Mr. Tsang Chung Yu and Mr. Li Chun Ming, Raymond.

Pursuant to the Articles of Association, Mr. Cheung Ngai Lam and Mr. Tsang Chung Yu shall retire from office at the EGM and shall be eligible for re-election. Details of the Directors proposed to be re-elected at the EGM are set out in Appendix VI to this circular.

9. EGM

A notice convening the EGM to be held at 4:00 p.m. on Monday, 20 October 2008 at 4/F., Opulent Building, 402-406 Hennessy Road, Wan Chai, Hong Kong is set out on pages 145 to 146 of this circular.

The EGM will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, to approve (i) the Acquisition Agreement; (ii) the issue of the Convertible Notes pursuant to the Acquisition Agreement; and (iii) the allotment and issue of Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Notes; and (iv) the re-election of the retiring Directors.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

10. POLL DEMAND

According to Article 80 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of poll is required by the rules of the designated stock exchange or (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 and a poll may be demanded by:

(i) the chairman of such meeting; or

(ii) at least five Shareholders present in person or by proxy and entitled to vote; or

(iii) a 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

(iv) a 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.

A poll which is duly demanded shall be then held in such manner prescribed by the Articles of Association.

11. RECOMMENDATION

The Directors consider that the Acquisition and the proposed re-election of the retiring Directors are in the interests of the Company and the Shareholders as a whole and that the terms of the Acquisition Agreement are fair and reasonable and are on normal commercial terms. The Directors therefore recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

12. ADDITIONAL INFORMATION

Please refer to the appendices to this circular for additional information.

Yours faithfully,
For and on behalf of
BENEFUN INTERNATIONAL HOLDINGS LIMITED
Tan Sim Chew
Chairman

A. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements, is set out below. No qualified or modified opinion has been issued on the Group's financial statements for the three years ended 30 June 2005, 2006 and 2007 respectively.

Consolidated Income Statement
For the years ended 30 June 2007, 2006 and 2005
(Expressed in Hong Kong dollars)

	2007	2006	2005
	$'000	*$'000*	*$'000*
Turnover	153,726	219,447	206,911
Cost of sales	(99,825)	(148,522)	(130,125)
Gross Profit	53,901	70,925	76,786
Other income	8,897	16,242	9,789
Distribution costs	(63,080)	(62,426)	(52,040)
Administrative expenses	(36,838)	(29,760)	(24,315)
(Loss)/profit from operations	(37,120)	(5,019)	10,220
Finance costs	(1,595)	(93)	(546)
(Loss)/profit before income tax expense	(38,715)	(5,112)	9,674
Income tax credit/(expense)	468	(1,018)	(3,680)
(Loss)/profit attributable to equity holders of the Company	(38,247)	(6,130)	5,994
Loss/earnings per share			
–Basic	(2.66 cents)	(0.46 cent)	0.47 cent
–Diluted	–	–	–

Consolidated Balance Sheet
As at 30 June 2007, 2006 and 2005
(Expressed in Hong Kong dollars)

	2007	**2006**	**2005**
	$'000	*$'000*	*$'000*
Non-current assets			
Property, plant and equipment	20,151	59,811	58,818
Investment properties	39,784	–	–
Construction in progress	1,272	1,147	2,986
Interest in leasehold land held for own use under operating leases	109	1,176	1,232
Deferred tax assets	36	52	124
	61,352	62,186	63,160
Current assets			
Inventories	27,771	16,193	27,237
Trade and other receivables	72,753	55,050	32,338
Tax recoverable	435	–	72
Cash and cash equivalents	20,416	4,728	41,357
	121,375	75,971	101,004
Current liabilities			
Trade and other payables	45,466	31,006	51,136
Income tax payable	–	282	–
Other financial liabilities	40,041	–	8,907
	85,507	31,288	60,043
Net current assets	35,868	44,683	40,961
Total assets less current liabilities	97,220	106,869	104,121
Non-current liabilities			
Other financial liabilities	–	5,820	–
Deferred tax liabilities	1,802	1,539	1,418
	1,802	7,359	1,418
Net assets	95,418	99,510	102,703
Capital and reserves			
Share capital	16,350	13,319	13,319
Reserves	79,068	86,191	89,384
Total equity	95,418	99,510	102,703

B. AUDITED CONSOLIDATED FINANCIAL INFORMATION

Consolidated Income Statement
For the year ended 30 June 2007
(Expressed in Hong Kong dollars)

	Notes	2007 $'000	2006 $'000
Turnover	4	153,726	219,447
Cost of sales		(99,825)	(148,522)
Gross Profit		53,901	70,925
Other income	4	8,897	16,242
Distribution costs		(63,080)	(62,426)
Administrative expenses		(36,838)	(29,760)
Loss from operations		(37,120)	(5,019)
Finance costs		(1,595)	(93)
Loss before income tax expense	6	(38,715)	(5,112)
Income tax credit/(expense)	7	468	(1,018)
Loss attributable to equity holders of the Company	9	(38,247)	(6,130)
Loss per share			
–Basic	10	(2.66 cents)	(0.46 cent)
–Diluted	10	–	–

Consolidated Balance Sheet
As at 30 June 2007
(Expressed in Hong Kong dollars)

	Notes	2007 $'000	2006 $'000
Non-current assets			
Property, plant and equipment	11	20,151	59,811
Investment properties	12	39,784	–
Construction in progress	13	1,272	1,147
Interest in leasehold land held for own use under operating leases	14	109	1,176
Deferred tax assets	20	36	52
		61,352	62,186
Current assets			
Inventories	16	27,771	16,193
Trade and other receivables	17	72,753	55,050
Tax recoverable		435	–
Cash and cash equivalents		20,416	4,728
		121,375	75,971
Current liabilities			
Trade and other payables	18	45,466	31,006
Income tax payable		–	282
Other financial liabilities	19	40,041	–
		85,507	31,288
Net current assets		35,868	44,683
Total assets less current liabilities		97,220	106,869
Non-current liabilities			
Other financial liabilities	19	–	5,820
Deferred tax liabilities	20	1,802	1,539
		1,802	7,359
Net assets		95,418	99,510
Capital and reserves			
Share capital	21	16,350	13,319
Reserves	22	79,068	86,191
Total equity		95,418	99,510

Balance Sheet
As at 30 June 2007
(Expressed in Hong Kong dollars)

	Notes	**2007** $'000	**2006** $'000
Non-current assets			
Interests in subsidiaries	*15*	35,704	35,404
Current assets			
Trade and other receivables	*17*	39,351	19,821
Cash and cash equivalents		3,045	795
		42,396	20,616
Current liabilities			
Trade and other payables	*18*	1,635	2,533
Net current assets		40,761	18,083
Net assets		76,465	53,487
Capital and reserves			
Share capital	*21*	16,350	13,319
Reserves	*22*	60,115	40,168
Total equity		76,465	53,487

Consolidated Statement of Changes in Equity

For the year ended 30 June 2007

(Expressed in Hong Kong dollars)

	Issued share capital	Share premium	Share-based compensation reserve	Legal reserve	Foreign exchange revaluation reserve	Revaluation reserve	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 July 2005	13,319	128,529	–	3,090	1,643	21,069	(64,947)	102,703
Translation differences on overseas operations	–	–	–	–	1,291	–	–	1,291
Transfer between reserves	–	–	–	–	–	(1,864)	1,864	–
Equity settled share based transaction	–	–	1,646	–	–	–	–	1,646
Loss for the year	–	–	–	–	–	–	(6,130)	(6,130)
At 1 July 2006	13,319	128,529	1,646	3,090	2,934	19,205	(69,213)	99,510
Placing of new shares	3,031	–	–	–	–	–	–	3,031
Premium on placing of new shares	–	23,645	–	–	–	–	–	23,645
Translation differences on overseas operations	–	–	–	–	2,745	–	–	2,745
Transfer between reserves	–	1,646	(1,646)	–	–	(1,864)	1,864	–
Change in fair value of buildings	–	–	–	–	–	5,570	–	5,570
Deferred tax arising from change in valuation of buildings	–	–	–	–	–	(836)	–	(836)
Loss for the year	–	–	–	–	–	–	(38,247)	(38,247)
At 30 June 2007	16,350	153,820	–	3,090	5,679	22,075	(105,596)	95,418

Consolidated Cash Flow Statement
For the year ended 30 June 2007
(Expressed in Hong Kong dollars)

	2007	2006
	$'000	*$'000*
Cash flows from operating activities		
Loss before income tax expense	(38,715)	(5,112)
Adjustments for:		
Interest income	(150)	(171)
Interest expense	1,595	93
Share-based payment expenses	–	1,646
Depreciation on property, plant and equipment	9,410	8,751
Amortisation on interest in leasehold land held for own use under operating leases	147	93
Impairment loss on inventories recognised/(reversed)	3,305	(7,593)
Impairment loss on trade and other receivables recognised/(reversed)	6,631	(278)
Net loss/(gain) on disposal of property, plant and equipment and construction in progress	2,073	(3,656)
Operating loss before working capital changes	(15,704)	(6,227)
(Increase)/decrease in inventories	(14,883)	18,637
Increase in trade and other receivables	(10,989)	(22,435)
Increase/(decrease) in trade and other payables	14,460	(20,130)
Cash used in operations	(27,116)	(30,155)
Income tax paid outside Hong Kong	(822)	(469)
Net cash used in operating activities	(27,938)	(30,624)
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(740)	(3,739)
Payment for construction in progress	(3,080)	(4,047)
Net proceeds from sale of property, plant and equipment	477	55
Net proceeds from sale of construction in progress	414	4,559
Interest received	150	171
Net cash used in investing activities	(2,779)	(3,001)

	2007 *$'000*	2006 *$'000*
Cash flows from financing activities		
Proceeds from bank borrowings	80,082	5,820
Repayment of bank borrowings	(45,861)	(8,907)
Net proceeds from issuance of new shares	13,331	–
Interest paid	(1,595)	(93)
Net cash from/(used in) financing activities	45,957	(3,180)
Net increase/(decrease) in cash and cash equivalents	15,240	(36,805)
Effect of foreign exchange changes	448	176
Cash and cash equivalents at beginning of year	4,728	41,357
Cash and cash equivalents at end of year	20,416	4,728
Analysis of the balances of cash and cash equivalents:		
Cash at banks and in hand	20,416	4,728

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1. CORPORATE INFORMATION

Benefun International Holdings Limited ("the Company") is a public company incorporated in the Cayman Islands with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Singapore Exchange Limited. Its registered office is at Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies and principle place of business is at 1-18 Xinhe Industrial Park, Dianqian, Huli, Xiamen, the People's Republic of China ("PRC"). The Company is an investment holding company. The Company and its subsidiaries are hereinafter collectively referred to as the "Group". The principal activities of the Company's subsidiaries are manufacturing, retailing and distribution of apparel and property development for sale and property investment.

The consolidated financial statements are presented in Hong Kong dollar ("$"), which is the Company's functional and presentation currency.

Items included in the financial statements of each of the subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate (the "functional currency").

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) In the current year, the Group has applied all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), that are relevant to its operation and effective for accounting period beginning on 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented.

(b) Potential impact arising on the new accounting standards not yet effective

The Group has not yet applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipated that the application of these new standards, amendment or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 Amendment	Capital Disclosures [5]
HKAS 23 (Revised)	Borrowing Costs [1]
HKFRS 7	Financial instruments: Disclosures [5]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment [6]
HK(IFRIC) – Interpretation 11	Group and Treasury Share transactions [4]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements [3]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes [2]
HK(IFRIC) – Interpretation 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2008
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 March 2007
[5] Effective for annual periods beginning on or after 1 January 2007
[6] Effective for annual periods beginning on or after 1 November 2006

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 27.

(c) Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition.

The Company's interests in subsidiaries are stated at cost less impairment loss, if any.

(d) Subsidiaries

A subsidiary is an entity in which the Company is able to exercise its control on it. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

(f) Impairment of other assets

At each balance sheet date, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- interests in leasehold land held for own use under operating leases;
- investments in subsidiaries; and
- construction in progress

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that other HKFRS.

(g) Financial instruments

(i) Financial assets

The Group classifies its financial assets as loans and receivables. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Financial liabilities

The Group classifies its financial liabilities as trade and other financial liabilities depending on the purchase for which the liabilities were incurred. Trade and other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

- Bank borrowings, which are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

(iii) Derecognition

The Group derecognises a financial asset where the contractual rights to the future cash flows in relation to the investment expire or where the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Property, plant and equipment

The building component of owner-occupied leasehold properties are stated at valuation less accumulated depreciation. Fair value is determined by the directors based on independent valuations which are performed periodically. The valuations are on the basis of market value or depreciated replacement cost. The directors review the carrying value of the buildings and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged and thereafter to revaluation reserve.

Upon disposal of leasehold buildings, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the revaluation reserve to retained earnings.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated at rates sufficient to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives and residual value are reviewed, and adjusted if appropriate, at each balance sheet date. The estimated useful lives are as follows:

Buildings	The shorter of 20 years or the remaining terms of the leases
Leasehold improvements	3 years
Plant and machinery	10 years
Furniture fixtures and office equipment	3 to 5 years
Motor vehicles	3 to 5 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenances costs are charged to the income statement during the year in which they are incurred.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of a fixed asset other than building is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement on disposal.

(i) Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation and not occupied by the Group. Investment properties are carried at fair value, representing market value determined by directors or independent qualified valuer at each balance sheet date. Changes in fair value are recognised in the income statement.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as revaluation of properties, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

(j) Construction in progress

Construction in progress is stated at cost less accumulated impairment losses. Cost comprises direct costs of construction during the periods of construction and installation. Construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

(k) Interests in leasehold land held for own use under operating leases

Interests in leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

(l) Inventories

Apparel Manufacturing

Inventories are stated at the lower of cost and net realisable value.

For self-manufactured inventories, cost includes the cost of materials computed using the standard costing basis and, in the case of work in progress and finished goods, direct labour and an appropriate portion of production overheads. Finished goods purchased are stated at cost computed on a weighted average basis.

Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date or to management estimates based on prevailing market conditions less estimated costs of completion and estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Properties under development

Properties under development comprise land cost, construction costs, interest and other direct costs attributable to such properties, less impairment losses, if any.

(m) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3(h) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3(n) below.

Operating lease charges

Payments made under operating lease are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(n) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

Sale of goods

Revenue from sales of goods is recognised when goods are delivered and title of goods has been passed to customers.

Sale of properties

Revenue arising from properties held for sale is recognised upon the signing of the sale and purchase agreements or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under trade and other payables.

Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Sub-contracting fee income

Sub-contracting fee income is recognised in the income statement in the period in which services are rendered.

Franchising fee

Revenue from franchising fee is recognised in the income statement over the accounting periods covered by the term of the relevant agreements.

Interest income

Interest income is accrued on a time-apportioned basis on the principal outstanding and the rate applicable.

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income taxes are recognised in the income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

(p) Foreign currency

Transactions entered into by Group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

On consolidation, the results of foreign operations are translated into the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rate approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

(q) Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

As stipulated by the labour regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at a specified percentage of the eligible employees' salaries. The Group has no other obligation for the payment of its employees' retirement and other post-retirement benefits other than contributions described above.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement plans as mentioned above. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. The Group employer contributions vest fully with the employees when contributed into the MPF Scheme.

(r) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are expended when incurred.

(s) Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. TURNOVER AND OTHER INCOME

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for goods returned and trade discounts and income from leasing and sales of property.

An analysis of turnover and other income are as follows:

	2007	**2006**
	$'000	*$'000*
Turnover		
Manufacturing, retailing and trading of apparel	150,311	214,308
Gross proceeds from properties sold	–	5,139
Rental income	3,415	–
	153,726	219,447
Other income		
Interest income	150	171
Rental income	–	2,348
Sub-contracting fees	5,446	5,696
Gain on disposal of construction in progress	–	3,797
Franchising fees	1,246	2,955
Others	2,055	1,275
	8,897	16,242
Total income for the year	162,623	235,689

5. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

Business segments

The Group has the following main business segments:

Apparel manufacturing: Manufacturing, retailing and distribution of apparel

Property development: The development and sale of commercial and residential properties

Property rental: Leasing of property rental

An analysis of the Group's revenue, results, assets, liabilities and other financial information by business segments for the year ended 30 June 2007, together with the comparative figures for the corresponding period in 2006, is as follows:

	Apparel manufacturing		Property rental		Property development		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue:								
Turnover	150,311	214,308	3,415	–	–	5,139	153,726	219,447
Other income	8,747	16,071	–	–	–	–	8,747	16,071
Total segment revenue	159,058	230,379	3,415	–	–	5,139	162,473	235,518
Interest income and other unallocated income							150	171
Total revenue							162,623	235,689
Segment results	(32,582)	(76)	3,415	–	(5,647)	(175)	(34,814)	(251)
Unallocated results							(2,456)	(4,939)
Interest and other unallocated Income							150	171
Loss from operations							(37,120)	(5,019)
Finance cost							(1,595)	(93)
Loss before income tax expense							(38,715)	(5,112)
Income tax credit/(expense)							468	(1,018)
Loss attributable to the shareholders							(38,247)	(6,130)
Segment assets	68,873	114,051	39,914	–	56,028	23,054	164,815	137,105
Unallocated assets							17,912	1,052
Total assets							182,727	138,157
Segment liabilities	53,162	26,871	3,839	–	30,121	7,057	87,122	33,928
Unallocated liabilities							187	4,719
Total liabilities							87,309	38,647
Other segment information:								
Depreciation and amortisation	9,530	8,817	–	–	27	27	9,557	8,844
Impairment loss on inventories recognised/(reversed)	3,305	(7,593)	–	–	–	–	3,305	(7,593)
Impairment loss on trade and other receivables recognised/(reversed)	2,524	(278)	–	–	4,107	–	6,631	(278)
Capital expenditure incurred during the year	3,815	7,739	–	–	5	47	3,820	7,786

The Group comprises the following main geographic segments:

	Mainland China		Hong Kong		Unallocated		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Turnover from external customers	153,726	217,223	–	2,224	–	–	153,726	219,447
Segment assets	164,850	136,577	17,841	1,528	36	52	182,727	138,157
Capital expenditure								
– property, plant and equipment	740	3,739	–	–	–	–	740	3,739
– construction in progress	3,080	4,047	–	–	–	–	3,080	4,047
	3,820	7,786	–	–	–	–	3,820	7,786

6. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging/(crediting):

	2007	2006
	$'000	$'000
Staff costs (including directors):		
Defined contribution pension cost	390	429
Share based payment expense	–	1,646
Salaries, wages and other benefits	39,497	44,896
	39,887	46,971
Other items:		
Depreciation on property, plant and equipment	9,410	8,751
Amortisation on interests in leasehold land held for own use under operating leases	147	93
Cost of inventories sold	96,520	156,115
Write-down (Reversal of write-down) of inventories	3,305	(7,593)
Auditors' remuneration	1,020	788
Minimum lease payments under operating leases		
– Property rentals (including retail shops)	17,850	16,209
– Contingent rentals of retail shops	15,296	17,565
Net loss/(gain) on disposal of property, plant and equipment and construction in progress	2,073	(3,656)
Exchange differences, net	(1,755)	(414)
Impairment loss on trade and other receivables recognised/(reversed)	6,631	(278)
Finance costs:		
Interest on bank advances and other financial liabilities repayable within five years	1,595	93

7. INCOME TAX CREDIT/(EXPENSE)

The amount of taxation in the consolidated income statement represents:

	2007	2006
	$'000	*$'000*
Current tax outside Hong Kong		
Provision for the year	89	825
Deferred tax *(note 20)*	(557)	193
Total income tax (credit)/expense	(468)	1,018

No provision for Hong Kong Profits Tax has been made in the financial statements (2006: Nil) as the Group's Hong Kong operations sustained a loss for taxation purposes during the year.

Taxation for the Group's operations outside Hong Kong is provided at the applicable current rates of taxation on the estimated assessable profits arising in the relevant jurisdiction during the year.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("the New Corporate Income Tax Law") which will take effect on 1 January 2008. The applicable income tax rate of the Group's PRC subsidiaries is 15%. From 1 January 2008, the income tax rate is expected to gradually increase to the standard rate of 25% over a five-year transition period. However, the New Corporate Income Tax Law has not set out the details as to how the existing tax rate will gradually increase to the standard rate of 25%. Consequently, the Group is not able to make an estimate of the expected financial effect of the New Corporate Income Tax Law on its deferred tax assets and liabilities. The expected financial effect of the New Corporate Income Tax Law, if any, will be reflected in the Group's financial statements for the year ending 30 June 2008. The enactment of the New Corporate Income Tax Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

A reconciliation between income tax credit/expense and loss per the consolidated income statement at applicable tax rate is as follows:

	2007	2006
	$'000	*$'000*
Loss before income tax expense	(38,715)	(5,112)
Tax calculated at applicable PRC tax rate of 15% (2006: 15%)	(5,807)	(767)
Effect of different tax rates of group companies operating in different jurisdictions	1,401	866
Tax effect of non-deductible expenses	2,266	919
Tax effect of tax loss not recognised	1,672	–
Total income tax (credit)/expense	(468)	1,018

8. DIRECTORS' REMUNERATION

(a) Directors' emoluments

The remuneration of each Director for the year ended 30 June 2007 is set out below:

Name of director	Fees	Salary	Share based payments	Other benefits	Employer's contribution to pension scheme	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors						
Mr. Tan Sim Chew	–	650	–	–	–	650
Mr. Fu Zi Cong	–	397	–	–	–	397
Mr. Lo King Fat	–	559	–	12	12	583
Mr. Zhong Ma Ming	–	406	–	–	–	406
Independent non-executive directors						
Mr. Wong Kwai Sang	60	–	–	–	–	60
Mr. Tsang Chun Pong	60	–	–	–	–	60
Mr. Li Chun Ming	60	–	–	–	–	60
	180	2,012	–	12	12	2,216

The remuneration of each director for the year ended 30 June 2006 is set out below:

Name of director	Fees	Salary	Share based payments	Other benefits	Employer's contribution to pension scheme	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors						
Mr. Tan Sim Chew	–	650	345	–	–	995
Ms. Chen Miao Zhu	–	425	–	–	–	425
Mr. Fu Zi Cong	–	397	345	–	–	742
Mr. Lo King Fat	–	559	345	29	12	945
Mr. Zhong Ma Ming	–	129	–	–	–	129
Independent non-executive directors						
Mr. Wong Kwai Sang	60	–	–	–	–	60
Mr. Tsang Chun Pong	60	–	–	–	–	60
Mr. Li Chun Ming	60	–	–	–	–	60
	180	2,160	1,035	29	12	3,416

During both years, no emolument were paid to directors as an inducement to join the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during both years.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, four (2006: four) are directors of the Company whose emoluments are disclosed in note 8(a). The details of the emoluments in respect of the remaining one (2006: one) individual are as follows:

	2007	2006
	$'000	*$'000*
Salaries and other emoluments	646	382
Share based payments	–	305
Retirement scheme contributions	–	12
	646	699

The emoluments of the individual with the highest emoluments are within the following band:

	2007	2006
	Number of Individuals	*Number of individuals*
$Nil – 1,000,000	1	1

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company includes a loss of $3,698,000 (2006: $4,889,000) which has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of $38,247,000 (2006: $6,130,000) divided by the weighted average of 1,439,991,000 ordinary shares (2006: 1,331,929,000 ordinary shares) in issue during the year. Diluted figures are not shown as there is no dilutive effect for the years ended 30 June 2006 and 2007.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation						
At 1 July 2006	70,304	21,104	20,692	9,706	9,189	130,995
Exchange difference	1,548	1,235	1,051	568	414	4,816
Additions	–	–	28	421	291	740
Disposals	–	–	(6,638)	(121)	(172)	(6,931)
Surplus on revaluation	5,570	–	–	–	–	5,570
Transfer to investment properties *(note 12)*	(69,680)	–	–	–	–	(69,680)
Transfer from construction in progress *(note 13)*	–	2,608	–	–	–	2,608
At 30 June 2007	7,742	24,947	15,133	10,574	9,722	68,118
Representing:						
Cost	1,098	24,947	12,397	10,574	7,610	56,626
Valuation						
– 1994	–	–	2,736	–	2,112	4,848
– 2007	6,644	–	–	–	–	6,644
At 30 June 2007	7,742	24,947	15,133	10,574	9,722	68,118
Accumulated depreciation and impairment						
At 1 July 2006	30,256	15,456	11,212	6,913	7,347	71,184
Exchange difference	552	898	496	407	285	2,638
Charge for the year	3,508	3,181	1,418	703	600	9,410
Eliminated on disposals	–	–	(4,118)	(108)	(155)	(4,381)
Transfer to investment properties *(note 12)*	(30,884)	–	–	–	–	(30,884)
At 30 June 2007	3,432	19,535	9,008	7,915	8,077	47,967

Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation						
At 1 July 2005	69,339	15,631	19,198	8,598	8,535	121,301
Exchange difference	742	455	479	250	187	2,113
Additions	–	32	2,382	858	467	3,739
Disposals	–	–	(1,367)	–	–	(1,367)
Transfer from construction in progress *(note 13)*	223	4,986	–	–	–	5,209
At 30 June 2006	70,304	21,104	20,692	9,706	9,189	130,995
Representing:						
Cost	12,856	21,104	17,956	9,706	7,077	68,699
Valuation						
– 1994	–	–	2,736	–	2,112	4,848
– 2005	57,448	–	–	–	–	57,448
At 30 June 2006	70,304	21,104	20,692	9,706	9,189	130,995
Accumulated depreciation and impairment						
At 1 July 2005	26,594	12,481	10,715	6,020	6,673	62,483
Exchange difference	232	360	232	175	123	1,122
Charge for the year	3,430	2,615	1,437	718	551	8,751
Eliminated on disposals	–	–	(1,172)	–	–	(1,172)
At 30 June 2006	30,256	15,456	11,212	6,913	7,347	71,184
Net book value						
At 30 June 2007	4,310	5,412	6,125	2,659	1,645	20,151
At 30 June 2006	40,048	5,648	9,480	2,793	1,842	59,811

i) Buildings of the Group as at 30 June 2007 were revalued by directors by reference to observable prices in an active market or recent market transactions on arm's length terms after taking into account a valuation report as at 30 September 2007 prepared by Xiamen TongJian Land and Property Valuation Consultant Company Limited, a firm of valuers registered in the PRC. The valuations are on the basis of open market value or depreciated replacement cost. Depreciated replacement cost is used where open market value cannot be reliably allocated to the building component.

The carrying amount of the buildings of the Group at 30 June 2007 would have been approximately $1,098,000 (2006: $17,028,000) had the buildings been carried at cost less accumulated depreciation and accumulated impairment losses.

ii) Certain plant and machinery and motor vehicles that have been fully depreciated were valued by China Certified Accountant and Financial Management, a firm of valuers registered in the PRC at 30 April 1994. The valuation was carried out on a depreciated replacement cost basis.

These assets would have been fully depreciated at 30 June 2000 had they been carried at cost less accumulated depreciation.

12. INVESTMENT PROPERTIES

	Group	
	2007	**2006**
	$'000	*$'000*
FAIR VALUE		
Transfer from property, plant and equipment *(note 11)*	38,796	–
Transfer from interest in leasehold land held for own use under operating leases *(note 14)*	988	–
At end of year	39,784	–

(a) The Group's investment properties were held under medium-term leases and outside Hong Kong which were revalued by directors after taking into account a valuation report prepared on an open market value basis on 30 September 2007 by Xiamen TongJian Land and Property Valuation Consultant Company Limited, a firm of valuers registered in the PRC.

(b) Investment properties are pledged to bank to secure a bank loan granted to the Group (note 19).

(c) Gross rental income from investment properties amounted to $3,415,000 (2006: $Nil).

13. CONSTRUCTION IN PROGRESS

	Group	
	2007	**2006**
	$'000	*$'000*
At 1 July	1,147	2,986
Exchange adjustments	67	87
Additions	3,080	4,047
Transfer to property, plant and equipment *(note 11)*	(2,608)	(5,209)
Disposal	(414)	(764)
At 30 June	1,272	1,147

14. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's interests in leasehold land held for own use under operating leases comprise:

	Group	
	2007	**2006**
	$'000	*$'000*
Held under medium-term leases:		
Outside Hong Kong	109	1,176

A substantial portion of interest in leasehold land were transferred to investment properties as the Group has leased out the properties for long-term rental yields.

15. INTERESTS IN SUBSIDIARIES

	Group	
	2007	**2006**
	$'000	*$'000*
Unlisted shares and equity interest at cost	192,310	192,010
Less: Impairment loss	(156,606)	(156,606)
	35,704	35,404

Details of the subsidiaries are as follows. The class of shares held is ordinary unless otherwise stated.

Name of company	**Place of incorporation/ establishment and operation**	**Percentage of equity held by the Company**	**Percentage of equity held by subsidiaries**	**Particulars of issued/registered and paid up capital**	**Principal activity**
Fun (Xiamen) Enterprise Corporation Limited*	PRC	–	100	Singapore Dollar ("S$")15,300,000	Garment manufacturing and retailing
Anxi Sing Garments Company Limited *	PRC	–	100	$3,380,000	Deregistered during the year
Anxi Fenfa Enterprise Company Limited*	PRC	–	100	S$1,000,000	Deregistered in 2006
Benefun (BVI) Limited	British Virgin Islands ("BVI")	100	–	1 share of US$1	Investment holding
Wylkeen Investment Limited	BVI	100	–	1 share of US$1	Investment holding
Wingo Asia Limited	BVI	–	100	1 share of US$1	Garment distribution

Name of company	Place of incorporation/ establishment and operation	Percentage of equity held by the Company	Percentage of equity held by subsidiaries	Particulars of issued/registered and paid up capital	Principal activity
Zhangzhou Golden River Estate Development Co. Ltd. *	PRC	100	–	RMB13,300,000	Property development
Zhangzhou City Gao Hui Property Development Company Limited #	PRC	–	100	RMB3,280,000	Property development
Top Ace Enterprises Limited	Hong Kong	–	100	2 shares of $1 each	Provision of management services
Sichuan Fun Garments Company Limited #	PRC	100	–	RMB300,000	Garment distribution

* *Companies registered as wholly-foreign owned enterprises with limited liability in the PRC.*

\# *A company registered as a domestic enterprise with limited liability in the PRC.*

16. INVENTORIES

	Group 2007	2006
	$'000	*$'000*
Apparel manufacturing		
Raw materials	7,269	5,654
Work in progress	9	2,419
Finished goods	3,605	1,231
	10,883	9,304
Property development		
Properties under development	16,888	6,889
	27,771	16,193

The amount of properties under development expected to be recovered after more than one year is $16,888,000 (2006: $6,889,000). All other inventories are expected to be recovered within one year.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	*$'000*	*$'000*	*$'000*
Trade debtors	8,870	11,011	–	–
Prepayments, deposits and other receivables	50,538	44,039	99	99
Receivable from placing of new shares	13,345	–	13,345	–
Amounts due from subsidiaries	–	–	25,907	19,722
	72,753	55,050	39,351	19,821

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Included in the trade and other receivables are trade debtors (net of impairment loss) with the following ageing analysis:

	Group	
	2007	**2006**
	$'000	*$'000*
Within 1 month	2,145	2,491
1 to 3 months	2,185	1,333
More than 3 months but less than 12 months	2,862	6,468
Over 12 months	1,678	719
Total trade debtors	8,870	11,011

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

During the year, the Group commenced certain property development projects for resale. As at the balance sheet date, included in the balance of prepayments, deposits and other receivables was an aggregate balance of deposits and instalments of $19,208,000 (2006: $15,686,000) for the acquisition of certain land use rights in Zhangzhou City, the PRC in respect of the aforesaid projects.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	*$'000*	*$'000*	*$'000*
Trade creditors	10,367	15,952	–	–
Property forward sales deposits and instalments received	16,353	–	–	–
Other payable and accrued liabilities	18,746	15,054	1,635	2,533
	45,466	31,006	1,635	2,533

Included in the trade and other payables are trade creditors with the following ageing analysis:

	2007	**2006**
	$'000	*$'000*
Within 1 month or on demand	7,238	11,847
1 to 3 months	197	57
More than 3 months but within 6 months	58	35
Over 6 months	2,874	4,013
Total trade creditors	10,367	15,952

19. OTHER FINANCIAL LIABILITIES

	Group	
	2007	**2006**
	$'000	*$'000*
Interest bearing:		
Secured – bank loans	40,041	5,820

At 30 June 2007, total current and non-current bank loans and other borrowings were repayable as follows:

	2007	**2006**
	$'000	*$'000*
Within one year	40,041	–
Within two to five years	–	5,820
	40,041	5,820

The bank loans are interest-bearing at 6.02% (2006: 6.22%) and secured by the Group's interest in leasehold land included in inventories under the category of properties under development with an aggregate carrying value of $16,888,000 and the Group's investment properties (note 12) and interest in leasehold land held for own use under operating leases (note 14) with aggregate carrying value of $37,600,000 (2006: secured by the Group's interest in leasehold land and building with aggregate carrying value of $6,889,000).

20. DEFERRED TAX

Group

The components of deferred tax assets and liabilities recognised in the consolidated balance sheet and the movement during the year are as follows:

Deferred tax assets/(liabilities)	Revaluation of properties	Provision for inventories and receivables	Accelerated (depreciation allowances)/ accounting depreciation	Other temporary differences	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
As at 1 July 2005	(3,718)	4,620	912	(3,108)	(1,294)
(Charged)/credited to income statement	328	(703)	(251)	433	(193)
As at 30 June 2006	(3,390)	3,917	661	(2,675)	(1,487)
(Charged)/credited to income statement	328	955	306	(1,032)	557
(Charged) to equity	(836)	–	–	–	(836)
As at 30 June 2007	(3,898)	4,872	967	(3,707)	(1,766)

	2007	2006
	$'000	*$'000*
Analysis of deferred tax balances for financial reporting purposes:		
Net deferred tax asset recognised on the balance sheet	36	52
Net deferred tax liability recognised on the balance sheet	(1,802)	(1,539)
	(1,766)	(1,487)

21. SHARE CAPITAL

	2007		2006	
	Number of shares	*$'000*	*Number of shares*	*$'000*
Authorised				
Ordinary shares of $0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid				
At 1 July	1,331,929,000	13,319	1,331,929,000	13,319
Issue of new shares	303,100,000	3,031	–	–
At 30 June	1,635,029,000	16,350	1,331,929,000	13,319

Exercise of share options

On 10 January 2006, the Company granted in total 66,500,000 share options to three executive directors and 2 senior executives of 13,300,000 share options each at a subscription price of HK$0.05 per share. Each share option entitles the holder to subscribe for one share of HK$0.01 each in the Company.

On 6 November 2006, all share options were exercised by the five grantees and no option is outstanding at 30 June 2007.

Issue of new shares

Pursuant to the share subscription agreement dated 6 February 2007, 151,600,000 new ordinary shares of $0.01 each, rank pari passu with the existing shares in the Company were issued to a subscriber, Leader Symbol Holdings Limited, for cash consideration at a subscription price of HK$0.066 each. The closing market price was HK$0.08 per share as quoted on the Stock Exchange on 6 February 2007.

Pursuant to another share subscription agreement dated 11 June 2007, 85,000,000 new ordinary shares of $0.01 each, rank pari passu with the existing shares in the Company were issued to two subscribers for cash consideration at a subscription price of HK$0.157 each. The closing market price was HK$0.195 per share as quoted on the Stock Exchange on the last trading date 8 June 2007.

22. RESERVES

(a) Group

	Share premium $'000 (Note i)	Share-based compensation reserve $'000 (Note ii)	Legal reserve $'000 (Note iii)	Foreign exchange revaluation reserve $'000 (Note iv)	Revaluation reserve $'000 (Note iv)	Accumulated losses $'000	Total $'000
At 1 July 2005	128,529	–	3,090	1,643	21,069	(64,947)	89,384
Translation differences on overseas operations	–	–	–	1,291	–	–	1,291
Transfer between reserves	–	–	–	–	(1,864)	1,864	–
Equity settled share based transaction	–	1,646	–	–	–	–	1,646
Loss for the year	–	–	–	–	–	(6,130)	(6,130)
At 1 July 2006	128,529	1,646	3,090	2,934	19,205	(69,213)	86,191
Premium on placing of new shares	23,645	–	–	–	–	–	23,645
Translation differences on overseas operations	–	–	–	2,745	–	–	2,745
Transfer between reserves	1,646	(1,646)	–	–	(1,864)	1,864	–
Change in fair value of buildings	–	–	–	–	5,570	–	5,570
Deferred tax arising from change in valuation of buildings	–	–	–	–	(836)	–	(836)
Loss for the year	–	–	–	–	–	(38,247)	(38,247)
At 30 June 2007	153,820	–	3,090	5,679	22,075	(105,596)	79,068

(b) Company

	Share premium *$'000* *(Note i)*	Share-based compensation reserve *$'000* *(Note ii)*	Contributed surplus *$'000* *(Note v)*	Accumulated losses *$'000*	Total *$'000*
At 1 July 2005	128,529	–	65,261	(150,379)	43,411
Loss for the year	–	–	–	(4,889)	(4,889)
Equity settled share based transaction	–	1,646	–	–	1,646
At 1 July 2006	128,529	1,646	65,261	(155,268)	40,168
Premium on placing of new shares	23,645	–	–	–	23,645
Transfer between reserves	1,646	(1,646)	–	–	–
Loss for the year	–	–	–	(3,698)	(3,698)
At 30 June 2007	153,820	–	65,261	(158,966)	60,115

Notes:

(i) Under the Bye-Laws of the Company, the amount is distributable subject to certain restrictions.

(ii) Cumulative expenses recognised in writing off the fair value of share options granted to the employees over the vesting period.

(iii) According to the relevant enterprises regulations in the PRC, certain subsidiaries which are foreign investment enterprises are required to transfer at least 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC, to the legal reserve until the balance reaches 50% of their registered capital. The legal reserve can be used to make good losses and to increase the capital of the subsidiaries.

(iv) The foreign exchange revaluation reserve and revaluation reserve have been set up and dealt with in accordance with the accounting policies adopted for the revaluation of property, plant and equipment and translation of the financial statements of foreign subsidiaries as set out in note 3. The transfer from revaluation reserve to accumulated loss in income statement represents the reserve realised on the retirement or disposal of the revalued assets and the additional depreciation made during the year.

(v) The excess value of the shares in the subsidiaries acquired pursuant to the Group reorganisation scheme over the nominal value of the shares in the Company issued in exchange of $65,261,000 was credited to the contributed surplus account. Under the Bye-Laws of the Company, contributed surplus is distributable subject to certain restrictions.

23. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Share option scheme

On 16 August 2005, the Company granted in total 78,000,000 share options for a total consideration of \$6 to 4 executive directors and 2 senior executives at an exercise price of \$0.058 per share under the share option scheme, which adopted by the Company on 5 May 1997 (hereinafter referred as “Old Share Option Scheme”). All these share options are exercisable on or after 17 February 2006 and will expire on 16 February 2009.

Pursuant to an ordinary resolution passed on 16 December 2005, the Shareholders at the Extraordinary General Meeting approved to terminate the Old Share Option Scheme which was superseded by a new share option scheme (hereinafter referred as “New Share Option Scheme”) for employees. Pursuant to the mutual agreement with the grantees and aforesaid ordinary resolution, all outstanding share options were cancelled accordingly. The New Share Option Scheme is valid and effective for a period of 10 years from the date of adoption.

Pursuant to the New Share Option Scheme, 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).

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 option 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 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.

The directors may, at their discretion, invite any employees or directors of the Group, to take up options to subscribe for shares in the Company at a price to be determined by the Board and notified to a Participant and shall 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.

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 Scheme 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.

On 10 January 2006, the directors approved to grant share options with a total of 79,800,000 shares to employees of the Company (including 53,200,000 shares granted to the executive directors of the Company, being also employees of the Company) at a subscription price of HK$0.05 per share under the New Share Option Scheme. Except one of the executive directors, all grantees accepted the grant of share options.

On 6 November 2006, all share options were exercised by the five grantees and no option is outstanding at 30 June 2007.

Except for the afore-mentioned, no share option were granted, exercised, cancelled or lapsed during the year.

The number and weighted average exercise prices of share options are as follows:

	2007		**2006**	
	Weighted average exercise price	**Number of options** *('000)*	**Weighted average exercise price**	**Number of options** *('000)*
Outstanding at the beginning of year		66,500	–	–
Granted during the year		–	$0.054	144,500
Exercised during the year	$0.05	(66,500)	–	–
Cancelled during the year		–	$0.058	(78,000)
Exercisable at the end of the year		–	$0.050	66,500

66,500,000 share options were exercised during the year with an exercise price of $0.05 (2006: $0.05).

24. CAPITAL COMMITMENTS

The Group's capital commitments outstanding at the balance sheet date were as follows:

	2007 *$'000*	**2006** *$'000*
Contracted but not provided for	29,351	40,029

25. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out certain properties under operating leases. The leases typically run for an initial period of one to two years. None of the leases includes contingent rentals.

The minimum rent receivables under non-cancellable operating leases are as follows:

	2007	**2006**
	$'000	*$'000*
Not later than one year	1,678	79
Later than one year but not later than five years	3,195	–
	4,873	79

(b) As lessee

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to six years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually fixed with a few of them increased annually to reflect market rentals. Certain of these leases include contingent rentals which are determined based on percentage of sales.

The total future of minimum lease payments are due as follows:

	2007	**2006**
	$'000	*$'000*
Not later than one year	14,469	11,921
Later than one year but not later than five years	11,997	10,459
Later than five years	35	–
	26,501	22,380

26. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group's principal financial assets are trade and other receivables and cash and bank balances. Financial liabilities of the Group include trade and other payables and bank borrowings. Exposure to foreign currency risk and credit risk arises in the normal course of the Group's business. The Group does not have any written financial risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its financial risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not issued and does not hold financial instruments for trading purpose at the balance sheet date. The directors review and agree policies for managing each of these risks and they are summarized as follows:

(a) Foreign currency risk

The Group is exposed to foreign currency risk primarily through recognising trading sales and incurring costs of sales that are denominated in currencies other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Renminbi. The Company currently does not have a foreign currency hedging policy. However, the management will monitor foreign currency exposure and consider hedging significant foreign currency exposure should the need arises.

(b) Credit risk

The Group has no significant concentrations of credit risk, which is primarily attributable to trade and other receivables. It has policies in place to ensure that sales are provided to customers with an appropriate credit history.

(c) Fair value estimation

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at the balance sheet date because of their short maturities.

27. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Impairment on trade and other receivables

The policy for impairment of trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of the trade receivables and on management's judgment for certain other receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these trade and other receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Impairment on inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes provision for obsolete and slow-moving inventory items identified. The management estimates the net realisable values for such inventories based primarily on the latest invoice prices and current market conditions.

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 12 October 2007.

C. INTERIM RESULTS

The following are the unaudited consolidated results of the Group as extracted from the interim report of the Group for the six months ended 31 December 2007.

Condensed Income Statement
For the six months ended 31 December 2007
(Express in Hong Kong dollars)

	Notes	Unaudited Six months ended 31 December 2007 $'000	2006 $'000
Turnover	2	73,590	86,271
Cost of sales		(45,502)	(54,969)
Gross profit		28,088	31,302
Other income	3	2,993	7,431
Distribution costs		(32,993)	(32,016)
Administrative expenses		(14,393)	(17,289)
Loss from operations		(16,305)	(10,572)
Finance costs	4	(1,571)	(575)
Loss before income tax expense	4	(17,876)	(11,147)
Income tax (expense)/credit	5	(2,278)	801
Loss for the period and attributable to the equity holders of the Company		(20,154)	(10,346)
Loss per share			
Basic	7	(1.23) cent	(0.77) cent
Diluted	7	N/A	N/A

Condensed consolidated balance sheet

As at 31 December 2007

(Expressed in Hong Kong dollars)

	Notes	Unaudited As at 31 December 2007 $'000	Audited As at 30 June 2007 $'000
Non-current assets			
Property, plant and equipment	8	20,537	20,151
Investment properties		39,784	39,784
Construction in progress		311	1,272
Interests in leasehold land held for own use under operating leases		104	109
Deferred tax assets		1,104	36
		61,840	61,352
Current assets			
Inventories	9	38,587	27,771
Trade and other receivables	10	60,933	72,753
Income tax recoverable		1,965	435
Cash and cash equivalents		40,508	20,416
		141,993	121,375
Current liabilities			
Trade and other payables	11	81,135	45,466
Other financial liabilities	12	41,653	40,041
		122,788	85,507
Net current assets		19,205	35,868
Total assets less current liabilities		81,045	97,220
Non-current liabilities			
Deferred tax liabilities		5,148	1,802
Net assets		75,897	95,418
Capital and reserves			
Share capital	13	16,350	16,350
Reserves		59,547	79,068
Total equity		75,897	95,418

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2007

(Expressed in Hong Kong dollars)

	Unaudited							
	Issued share capital $'000	Share based compensation reserve $'000	Share premium $'000	Legal reserve $'000	Foreign exchange revaluation reserve $'000	Revaluation reserve $'000	Accumulated losses $'000	Total $'000
At 1 July 2007	16,350	–	153,820	3,090	5,679	22,075	(105,596)	95,418
Transfer between reserves	–	–	–	–	–	(93)	93	–
Translation differences on overseas operations	–	–	–	–	633	–	–	633
Net income/(expenses) recognised directly in equity	–	–	–	–	633	(93)	93	633
Loss for the period	–	–	–	–	–	–	(20,154)	(20,154)
Total recognised income/(expense) for the period	–	–	–	–	633	(93)	(20,061)	(19,521)
At 31 December 2007	16,350	–	153,820	3,090	6,312	21,982	(125,657)	75,897
At 1 July 2006	13,319	1,646	128,529	3,090	2,934	19,205	(69,213)	99,510
Shares issued under share option scheme	665	–	2,660	–	–	–	–	3,325
Transfer between reserves	–	–	–	–	–	(932)	932	–
Translation differences on overseas operations	–	–	–	–	1,209	–	–	1,209
Net income/(expenses) recognised directly in equity	–	–	–	–	1,209	(932)	932	1,209
Loss for the period	–	–	–	–	–	–	(10,346)	(10,346)
Total recognised income/(expense) for the period	–	–	–	–	1,209	(932)	(9,414)	(9,137)
At 31 December 2006	13,984	1,646	131,189	3,090	4,143	18,273	(78,627)	93,698

Condensed consolidated cash flow statement
For the six months ended 31 December 2007
(Expressed in Hong Kong dollars)

	Unaudited Six months ended 31 December 2007	2006
	$'000	*$'000*
Net cash generated from/(used in) operating activities	8,850	(13,072)
Net cash used in investing activities	(1,360)	(1,932)
Net cash generated from financing activities	11,774	21,690
Net increase in cash and cash equivalents	19,264	6,686
Effect of foreign exchange changes	828	101
Cash and cash equivalents at 1 July	20,416	4,728
Cash and cash equivalents at 31 December	40,508	11,515
Analysis of balances of cash and cash equivalents:		
Cash at banks and in hand	40,508	11,515

Notes to the condensed consolidated financial statements

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

These interim condensed consolidated financial statements should be read in conjunction with the 2006/07 annual financial statements.

The principal accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2007.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA that are effective for the Group's financial year beginning on 1 July 2007. The adoption of the new HKFRSs had no material effect on the Group's results for the current or prior accounting periods, which have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new or revised standards, amendments or interpretations ("new or revised HKFRSs") issued by the HKICPA that have been issued but are not yet effective. The Group is in the process of making assessment of what the impact of these new or revised HKFRSs is expected to be in the period of initial application. So far the directors of the Group anticipated the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements[2]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Interpretation 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 January 2008
[3] Effective for annual periods beginning on or after 1 July 2008

2. SEGMENT INFORMATION

Segment information is presented in the condensed consolidated financial statements in respect of the Group's business segments, which are the primary basis of segment reporting.

Business segments

The Group has following main business segments:

Apparel manufacturing :	Manufacturing, retailing and distribution of apparel
Property rental :	Leasing of property rental
Property development :	The development and sale of commercial and residential properties

An analysis of the Group's revenue and results by business segments for the six months ended 31 December 2007, together with the comparative figures for the corresponding period in 2006, is as follows:

	Apparel manufacturing		Property rental		Property development		Consolidated	
(Unaudited)	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Segment revenue:								
Turnover	70,562	86,271	3,028	–	–	–	73,590	86,271
Other income	1,291	4,639	–	–	–	–	1,291	4,639
Total segment revenue	71,853	90,910	3,028	–	–	–	74,881	90,910
Interest income and other unallocated income							1,702	2,792
Total revenue							76,583	93,702
Segment results	(19,157)	(13,364)	3,028	–	(1,878)	–	(18,007)	(13,364)
Interest income and other unallocated income							1,702	2,792
Loss from operations							(16,305)	(10,572)
Finance costs							(1,571)	(575)
Loss before income tax expense							(17,876)	(11,147)
Income tax (expense)/credit							(2,278)	801
Loss for the period							(20,154)	(10,346)

3. OTHER INCOME

	Unaudited Six months ended 31 December 2007 $'000	2006 $'000
Interest income	129	44
Rental income	–	1,294
Sub-contracting fee	1,291	3,942
Franchising fee income	–	697
Exchange differences, net	1,566	771
Others	7	683
	2,993	7,431

4. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging:

	Unaudited Six months ended 31 December 2007 $'000	2006 $'000
Finance costs:		
Interest on bank advances and other financial liabilities repayable within five years	1,571	575
Amortisation on interests in leasehold land held for own use under operating leases	5	48
Depreciation on property, plant and equipment	2,948	4,811
Write-down of inventories	2,299	744
Loss on disposal of property, plant and equipment	516	–
Impairment losses on trade and other receivables	3,999	4,029

5. INCOME TAX (EXPENSE)/CREDIT

The amount of taxation in the condensed consolidated income statement represents:

	Unaudited Six months ended 31 December 2007 $'000	2006 $'000
Current tax		
– Income tax outside Hong Kong	–	(87)
Deferred tax	(2,278)	888
Total income tax (expense)/credit	(2,278)	801

No provision for Hong Kong Profits Tax has been made in the interim financial statements (2006: Nil) as the Group's Hong Kong operations sustained a loss for taxation purposes during the period.

Taxation for the Group's operations outside Hong Kong is provided at the applicable current rates of taxation on the estimated assessable profits arising in the relevant jurisdiction during the period.

Pursuant to the new People's Republic of China ("PRC") Corporate Income Tax Law passed by the Tenth National People's Congress on 16 March 2007, the new Corporate Income Tax rates for almost all enterprises established in the PRC shall be subject to a unified rate of 25% over a five year transition period and will be effective from 1 January 2008. The State Council of the PRC issued an implementation guideline on 26 December 2007 and the Ministry of Finance and the State Administration of Taxation of the PRC further issued another implementation guideline on 20 February 2008 (collectively, "Implementation Guidances") which set out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidances, foreign investment manufacturing enterprises which have not fully utilized their tax holiday and concession will be allowed to continue to receive the benefits of the full exemption and concession in the transitional income tax rate during the five-year transition period. The transitional tax rates for 2008 to 2012 are 18%, 20%, 22%, 24% and 25%, respectively. The new rates were considered to measure the Group's deferred tax assets and deferred tax liabilities as at 31 December 2007. The enactment of the new PRC Corporate Income Tax Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

6. DIVIDENDS

No interim dividend has been declared in respect of the interim period ended 31 December 2007 (2006: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of $20,154,000 (2006: $10,346,000) divided by the weighted average of 1,635,029,000 ordinary shares (2006: 1,351,915,000 ordinary shares) in issue during the period. Diluted figures are not shown as there is no dilutive effect for the interim period ended 31 December 2007 (2006: Nil).

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2007, the Group disposed of property, plant and equipment with carrying amount of approximately $660,000 (six months ended 31 December 2006: $182,000).

In addition, the Group spent approximately $2,646,000 (six months ended 31 December 2006: $1,727,000) in respect of property, plant and equipment mainly for the purpose of decoration of newly opened self-operating stores during the period.

9. INVENTORIES

	Unaudited As at 31 December 2007 *$'000*	Audited As at 30 June 2007 *$'000*
Apparel manufacturing		
Raw material	820	7,269
Work in progress	–	9
Finished goods	4,381	3,605
	5,201	10,883
Property development		
Property under development	33,386	16,888
	38,587	27,771

All inventories are expected to be recovered within one year.

10. TRADE AND OTHER RECEIVABLES

	Unaudited As at 31 December 2007 *$'000*	Audited As at 30 June 2007 *$'000*
Trade debtors	9,297	8,870
Prepayments, deposits and other receivables	51,636	50,538
Receivable from placing of new shares	–	13,345
	60,933	72,753

All trade receivables are expected to be recovered within one year. The fair values of trade and other receivables approximate their carrying amount.

The following is an ageing analysis of trade debtors (net of impairment loss):

	Unaudited As at 31 December 2007 *$'000*	Audited As at 30 June 2007 *$'000*
Within 1 month	2,089	2,145
More than 1 month but less than 3 months	2,195	2,185
More than 3 months but less than 12 months	4,973	2,862
Over 12 months	40	1,678
Total trade debtors	9,297	8,870

The credit terms given to customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

At 31 December 2007, included in the balance of prepayments, deposits and other receivables was an aggregate balance of deposits and instalments of $19,982,000 (30 June 2007: $19,208,000) for the acquisition of certain land use rights in Zhangzhou City, the PRC in respect of certain property development projects.

11. TRADE AND OTHER PAYABLES

	Unaudited As at 31 December 2007 *$'000*	Audited As at 30 June 2007 *$'000*
Trade creditors	20,653	10,367
Other payables and accrued liabilities	19,973	18,746
Property forward sales deposits and instalments received	40,509	16,353
	81,135	45,466

All the trade and other payables are expected to be settled within one year. The fair values of trade and other payables approximate their carrying amount.

The following is an ageing analysis of trade creditors:

	Unaudited As at 31 December 2007 *$'000*	Audited As at 30 June 2007 *$'000*
Within 1 month or on demand	8,796	7,238
More than 1 month but within 3 months	1,632	197
More than 3 months but within 6 months	2,786	58
Over 6 months	7,439	2,874
Total trade creditors	20,653	10,367

12. OTHER FINANCIAL LIABILITIES

	Unaudited As at 31 December 2007 *$'000*	Audited As at 30 June 2007 *$'000*
Interest bearing and repayable within one year:		
Secured – bank loans	41,653	40,041

The bank loans are interest-bearing at 6.02% per annum (30 June 2007: 6.02% p.a.) and secured by the Group's interest in leasehold land included in inventories under the category of properties under development with an aggregate carrying value of $33,386,000 (30 June 2007: 16,888,000) and the Group's investment properties and interest in leasehold land held for own use under operating leases with aggregate carrying value of $39,888,000 (30 June 2007: $37,600,000).

13. SHARE CAPITAL

	Unaudited As at 31 December 2007		Audited As at 30 June 2007	
	Number of shares	*$'000*	*Number of shares*	*$'000*
Authorised				
Ordinary shares of $0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid				
At beginning of the period/year	1,635,029,000	16,350	1,331,929,000	13,319
Issue of new shares	–	–	303,100,000	3,031
At end of the period/year	1,635,029,000	16,350	1,635,029,000	16,350

14. CAPITAL COMMITMENTS

The Group's capital commitments outstanding at the balance sheet date not provided for in the interim financial statements were as follows:

	Unaudited As at 31 December 2007 *$'000*	Audited As at 30 June 2007 *$'000*
Acquisition of land use rights and property development costs:		
Contracted for	30,533	29,351

15. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 27 March 2008.

D. INDEBTEDNESS STATEMENT

Amounts due to directors

As at the close of business day on 31 July 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group has amounts due to Mr. Tan Sim Chew and a director of the Target Company of approximately HK$1,950,000 and HK$1,705,000 respectively. The amounts are unsecured and interest free.

Capital commitments

As at 31 July 2008, the Enlarged Group had capital commitments contracted but not provided for in respect of property construction costs of approximately HK$29,364,000 and in respect of the acquisition of certain plant and equipment erected on the plantation land of approximately HK$10,237,000, however, the amount is subject to valuation adjustment by reference to an independent valuation report to be issued within three months after the date of concession agreement.

Banking facilities

As at 31 July 2008, the Enlarged Group was granted a letter of credit on banking facility with credit limit of HK$3,000,000 from a bank. The utilisation of the banking facilities are subject to the bank's prior approval from time to time and 100% deposit shall be required upon utilisation. As at 31 July 2008, no banking facilities are utilized by the Enlarged Group.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have any debt securities issued and outstanding, outstanding bank borrowings, bank overdrafts, liabilities under acceptances, acceptance credits, mortgages, charges, other indebtedness in the nature of borrowing, finance lease or hire purchase commitments, guarantees or material contingent liabilities as at 31 July 2008.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business 31 July 2008.

As at 31 July 2008, the unaudited consolidated net current assets position of the Enlarged Group are as follow:

	As at 31 July 2008
	HK$
Current asset	156,356,492
Current Liabilities	(133,381,736)
Net Current Asset	22,974,756

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Enlarged Group since 30 June 2008.

E. WORKING CAPITAL

The Directors are of opinion that after taking into account the existing bank facilities and internal resources generated from the operation of the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

F. MATERIAL ADVERSE CHANGES

The Directors confirm that there was no material adverse changes in the financial or trading position of the Group since 30 June 2007, being the date of the latest published financial statements of the Group were made up.

BDO McCabe Lo Limited
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The Directors
Benefun International Holdings Limited

30 September 2008

Dear Sirs,

We set out below our report on the financial information regarding Ample Rich Enterprises Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") for the period from 13 July 2007 (date of incorporation of the Target Company) to 30 June 2008 (the "**Relevant Period**"), for inclusion in the circular of Benefun International Holdings Limited (the "**Company**") dated 30 September 2008 (the "**Circular**"), issued in connection with the proposed acquisition of 100% equity interest in the Target Company (the "**Acquisition**").

The Target Company was incorporated in the British Virgin Islands (the "**BVI**") with limited liability on 13 July 2007 under the BVI Business Companies Act 2004. The Target Company has not carried out any business since the date of its incorporation save for the acquisition and holding of the entire equity interests in its subsidiaries in July 2007.

As at the date of this report, the Target Company has direct and indirect interests in the following subsidiaries, all of which are private companies:

Name of Companies	Place and date of incorporation/ establishment	Authorised/registered and issued and paid-up capital	Attributable equity interest held by the Target Company *Direct*	*Indirect*	Principal activities
Subsidiaries					
Gold Vantage Enterprises Limited ("Gold Vantage")	Hong Kong 17 July 2007	Authorised capital of HK$10,000 of 10,000 ordinary shares of HK$1 each and issued and paid-up capital of HK$1	100%	–	Investment holding
佛山市凱金林業有限公司 (Foshan Gold Vantage Forestry Limited)	PRC, 14 November 2007	Registered and paid-up capital of HK$600,000	–	100%	Plantation, research and development on plantation related technologies, manufacture and sale of plantation products

As at the date of this report, no audited statutory financial statements have been prepared for the Target Company and Gold Vantage since their respective dates of incorporation as these companies were either incorporated shortly before 30 June 2008 or have not carried on any business or are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. We have, however, reviewed all significant transactions of these companies from their respective dates of incorporation to 30 June 2008 for the purpose of this report. The statutory financial statements of Foshan Gold Vantage Forestry Limited for the period from 14 November 2007 (date of incorporation) to 31 December 2007 have been prepared in accordance with the relevant accounting rules and regulations applicable to enterprises with foreign investment in the People's Republic of China (the "**PRC**") and were audited by 佛山市花州會計師事務所 (Foshan Huazhou Certified Public Accountants), certified public accountants registered in the PRC.

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Period, in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the HKFRS Financial Statements). We have undertaken an independent audit of the HKFRS Financial Statements of the Target Group in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

The financial information and the notes thereto for the Relevant Period set out in Sections A to C below (the "**Financial Information**") have been prepared based on the HKFRS Financial Statements of the Target Group.

The directors of the Target Company are responsible for the preparation and true and fair presentation of the HKFRS Financial Statements of the Target Company and the Target Group in accordance with HKFRSs issued by HKICPA. The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA and for the content of the Circular in which this report is included.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements and the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information are free from material misstatement. In addition, we have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of the Target Company and the Target Group in respect of any period subsequent to 30 June 2008.

In our opinion, the Financial Information give, for the purpose of this report, a true and fair view of the state of affairs of the Target Company and the Target Group as at 30 June 2008, and of its results and cash flows for the Relevant Period.

A. FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 13 JULY 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008

	Section B *Notes*	*HK$*
Turnover	*6*	–
Other income	*7*	600
General and administrative expenses		(557,800)
Loss before income tax expense	*8*	(557,200)
Income tax expense	*11*	–
Loss for the period		(557,200)
Dividend	*21*	–
Earnings per share		
– Basic and diluted	*22*	N/A

2. CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

	Section B *Notes*	*HK$*
Non-current assets		
Property, plant and equipment	*13*	170,700
Current assets		
Prepayments and deposits	*14*	985,511
Cash and cash equivalent	*17*	79,044
Total current assets		1,064,555
Current liabilities		
Amount due to a director	*15*	1,705,105
Other payables		73,625
Total current liabilities		1,778,730
Net current liabilities		(714,175)
TOTAL NET LIABILITIES		(543,475)
Capital and reserves attributable to equity holders of the Target Company		
Share capital	*19*	8
Reserves	*20*	(543,483)
DEFICIT ON EQUITY		(543,475)

3. BALANCE SHEET OF THE TARGET COMPANY AS AT 30 JUNE 2008

	Section B *Notes*	*HK$*
Non-current assets		
Investment in subsidiaries	*24*	1
Current assets		
Amount due from a subsidiary	*16*	1,701,096
Cash and cash equivalents		2,646
Total current assets		1,703,742
Current liabilities		
Amount due to a director	*15*	1,705,105
Total current liabilities		1,705,105
Net current liabilities		(1,363)
TOTAL NET LIABILITIES		(1,362)
Capital and reserves		
Share capital	*19*	8
Accumulated losses	*20*	(1,370)
DEFICIT ON EQUITY		(1,362)

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 13 JULY 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008

	Share capital *HK$*	Exchange reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
Issue of shares upon incorporation	8	–	–	8
Exchange differences on translation of financial statements of a subsidiary	–	13,717	–	13,717
Loss for the period	–	–	(557,200)	(557,200)
At 30 June 2008	8	13,717	(557,200)	(543,475)

5. CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 13 JULY 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008

	Section B *Notes*	*HK$*
Cash flows from operating activities		
Loss before income tax expense		(557,200)
Adjustments for:		
Depreciation	*13*	7,422
Interest income		(600)
Operating loss before working capital changes		(550,378)
Increase in prepayments and deposits		(985,511)
Net cash used in operating activities		(1,535,889)
Cash flows from investing activities		
Purchase of property, plant and equipment		(104,497)
Interest received		600
Net cash used in investing activities		(103,897)
Cash flows from financing activities		
Proceeds from issuance of shares		8
Increase in amount due to a director		1,705,105
Net cash generated from financing activities		1,705,113
Net increase in cash and cash equivalents		65,327
Effect of exchange rate changes		13,717
Cash and cash equivalents at end of period	*17*	79,044

B. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Target Company was incorporated in the BVI with limited liability on 13 July 2007 under the BVI Business Companies Act 2004. The Target Company has not carried on any business since the date of its incorporation save for the acquisition and holding of the entire equity interests in its subsidiaries set out in note 24. The address of the Target Company's registered office and principal place of business are P.O. Box 3444, Road Town, Tortola, British Virgin Islands and Floor 2, No. 60, Daliang North Road, Shunde District, Foshan, Guangdong Province, the PRC respectively.

The Target Company is an investment holding company. The principal activities of its subsidiaries are set out in note 24.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Potential Impact Arising On The New Accounting Standards Not Yet Effective

The Target Group has not yet applied the following new or revised HKFRSs that have been issued but are not yet effective. The directors of the Target Group anticipate that the application of these new or revised HKFRSs will have no material impact on the financial statements of the Target Group.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27	Consolidated and Separate Financial Statements [4]
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 2 Amendment	Share-based Payments – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [4]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements [3]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes [2]
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Fund Requirements and their interaction [3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2008
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2009

3. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information of the Relevant Periods set out in this report have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

(b) Basis of measurement

The Financial Information have been prepared under the historical cost basis.

(c) Basis of preparation

The Financial Information have been prepared on a going concern basis notwithstanding that the Target Group recorded a loss of HK$557,200 and net current liabilities of HK$714,175 at the balance sheet date. The management have considered that the Target Group will have sufficient working capital to finance its operation in the foreseeable future as the shareholder has indicated its intention to provide continual financial support as long as necessary to maintain the Target Group as a going concern.

(d) Use of estimate and judgements

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

(e) Functional and presentation currency

The Financial Information are presented in Hong Kong dollars ("**HK$**"), which is the Target Company's functional and presentation currency. Items included in the financial statements of each of the subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate ("**the functional currency**").

4. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Target Company and its subsidiaries as at 30 June 2008. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases. Inter-company transactions and balances between group companies are eliminated in full.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition.

(b) Subsidiaries

Subsidiaries are entities over which the Target Company is able to exercise control. Control is achieved where the Target Company, directly or indirectly, has the power to govern the financial and operating policies of entities so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the balance sheet of the Target Company, the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Property, plant and equipment are depreciated at rates sufficient to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis as follows:

Leasehold improvements	Over the remaining term of the lease

The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an asset is the difference between the net sale proceeds and the carrying amount of the relevant assets, and is recognised in the income statement.

(d) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The total rentals payable under the operating lease are charged to the income statement on a straight-line basis over the lease term.

In the case of the operating rights and forestry management concession agreement, where the fulfillment of the agreement is dependent on the use of specific assets and the agreement conveys a right to use these assets, such a concession agreement is accounted for as containing a finance lease or an operating lease.

(e) Foreign currency

In preparing the Financial Information, transactions entered into by the Target Group in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which case, the exchange differences are also recognised directly in equity.

On consolidation, the results of foreign operations are translated into the presentation currency of the Target Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of foreign operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the Target Group's net investment in the foreign operation concerned are reclassified to the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

(f) Income taxes

Income taxes for the Relevant Period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the reporting period end.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognized assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognized for all temporary differences. Deferred tax assets are recognized to the extent that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the reporting period end.

Income taxes are recognised in the income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

(g) Revenue recognition

Interest income from bank deposits is accrued on a time basis on the principal outstanding and the applicable rate.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

(i) Impairment of assets

At each balance sheet date, the Target Group reviews the carrying amounts of the property, plant and equipment, investment in subsidiaries and deposits and prepayments to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is recognised as income immediately.

(j) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the processing of applying the Target Group's accounting policies, which are described in note 4, management has made the following judgements that have the most significant effect on the amounts recognized in the Financial Statement during the Relevant Period.

(a) Useful lives and impairment of property, plant and equipment

The Target Group's management determines the estimated useful lives, residual values and related depreciation charges for its items of plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

(b) Impairment of assets

If circumstances indicate that the carrying amount of an asset may not be recoverable, this asset may be considered "impaired", and an impairment loss may be recognized in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of sales revenue and amount of operating costs. The Target Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales revenue and amount of operating costs.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Target Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future profits will allow the deferred tax asset to be recovered.

(d) Determining whether an arrangement contains a lease

The Target Group entered into a concession agreements on 10 June 2008 for the right to use and operate 60,000 Chinese mu plantation land as well as certain plant and equipment erected thereon for 30 years at a total consideration of RMB81,320,000. The Target Group will pay the amount according to agreed schedule over the operating period.

Although the arrangement is not expressly described in the document as in the form of lease, after taking into accounts the HK(IFRIC)-Int 4 "Determining whether an arrangement contains a lease", the Target Group concludes that the arrangement contains lease. The right to use and operate the plantation land is classified as an operating lease and the plant and equipment erected on the plantation land is classified as a finance lease and accounted for in accordance with the accounting policy set out in note 4(d).

The application of HK (IFRIC)-Int 4 has resulted in lease accounting being applied to the Target Group as lessee for the concession agreement with The Agricultural No. 8 Division No. 142 Regiment of the Xinjiang Production and Construction Corps ("XPCC"). To apply lease accounting, a number of judgments have been made in accordance with the minimum lease payments, implicit interest rates, the residual value of the assets at the end of the contract period.

6. TURNOVER

The Target Group did not generate any turnover during the Relevant Period.

7. OTHER INCOME

	HK$
Bank interest income	600

8. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is stated after charging:

	HK$
Depreciation of property, plant and equipment	7,422
Auditors' remuneration	2,275
Property agency commission paid	25,500

9. DIRECTOR'S EMOLUMENTS

During the Relevant Period, no emolument and no retirement benefit scheme contribution were paid or payable to the director of the Target Company. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

10. EMPLOYEES' EMOLUMENTS

Except for the director, the Target Group did not employ any staff during the Relevant Period; and thus, no staff cost and key management personnel remuneration were incurred during the Relevant Period.

11. INCOME TAX EXPENSE

British Virgin Islands Profits Tax

Pursuant to the income tax rules and regulations of the BVI, the Target Company is exempt from income tax in the BVI.

Hong Kong Profits Tax

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the Relevant Period. No provision for Hong Kong Profits Tax has been made as the Target Group has no assessable profit during the Relevant Period.

PRC Enterprise Income Tax ("EIT")

Enterprise Income Tax rate is calculated at 25%. No provision for PRC enterprise income tax has been made as the Target Company and its subsidiaries has no estimated assessable profits arising from Relevant Period.

The income tax expense for the Relevant Period can be reconciled to the loss per the consolidated income statement as follows:

	HK$
Loss before income tax expense	557,200
Tax calculated at the domestic tax rate of 16.5%	91,938
Effect of different tax rates of subsidiaries operating in other jurisdictions	555
Tax effect of expenses not deductible for tax purposes	(1,155)
Tax effect of temporary difference not recognised	(49)
Tax effect of tax loss not recognised	(91,289)
Income tax expense	–

12. LOSS ATTRIBUTABLE TO THE EQUITY HOLDER OF THE TARGET COMPANY

The loss attributable to the equity holder of the Target Company is dealt with in the Financial Information of the Target Company to the extent of HK$1,370.

13. PROPERTY, PLANT AND EQUIPMENT

Target Group

	Leasehold improvements *HK$*
Cost:	
Additions for the period and at 30 June 2008	178,122
Accumulated depreciation:	
Charge for the period and at 30 June 2008	7,422
Net carrying amount	
At 30 June 2008	170,700

14. PREPAYMENTS AND DEPOSITS

	Target Group *HK$*
Deposit for purchase of fertilizer	568,699
Rental and utility deposits	207,048
Deposit for purchase of wood log	164,268
Prepayment for the plantation land operating rights	45,496
	985,511

15. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest free and repayable on demand.

16. AMOUNT DUE FROM A SUBSIDIARY

The amount is unsecured, interest free and repayable on demand.

17. CASH AND CASH EQUIVALENTS

An analysis of the balance of cash and cash equivalents of Target Group is as follows:

	HK$
Cash and bank balances	79,044

Cash and cash equivalents are denominated in:	
Renminbi ("RMB")	35,321
Hong Kong Dollar ("HK$")	43,723
	79,044

RMB is not freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC Government.

18. BANKING FACILITIES

The Target Group was granted a letter of credit on banking facility with credit limit of HK$ 3,000,000 from a bank. The utilisation of the banking facilities are subject to the bank's prior approval from time to time and 100% deposit shall be required upon utilisation. As at 30 June 2008, no banking facilities are utilised by the Target Group.

19. SHARE CAPITAL

(a) Authorised and issued share capital

Authorised:
The maximum number of shares that the Target Company is authorised to issue is 50,000.

Issued and fully paid:	
1 share of US$1 each	US$1
Shown in the Financial Information	HK$8

The Target Company was incorporated in BVI on 13 July 2007 with maximum number of shares authorised to issue is 50,000. At the time of incorporation, 1 share of US$1 each was issued for cash to the subscriber.

(b) Capital management policy

The Target Group's objectives when managing capital are to ensure the ability of the entities in the Target Group to continue as a going concern in order to provide returns for equity holder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Target Group represents the equity attributable to equity holder of the Target Company. The management reviews the capital structure regularly. The Target Group considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through dividend paid to shareholder, return capital to shareholder, issue new shares, or sell assets to reduce debt.

20. RESERVES

Target Group

	Exchange reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
Exchange differences on translation of financial statements of a subsidiary	13,717	–	13,717
Loss for the period	–	(557,200)	(557,200)
At 30 June 2008	13,717	(557,200)	(543,483)

Target Company

	Exchange reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
Loss for the period and at 30 June 2008	–	(1,370)	(1,370)

Distributable reserves

At 30 June 2008, the losses attributable to Target Company's shareholder was HK$1,370. Accordingly, the Target Company did not have any reserves available for distribution as at 30 June 2008.

21. DIVIDENDS

No dividend has been paid or declared by the Target Company during the Relevant Period.

22. EARNINGS PER SHARE

No earning per share information has been presented as such information is not meaningful for the purpose of this report.

23. SEGMENT INFORMATION

No business and geographical segment analyses are presented as the Target Group principally operates a single business segment which is plantation research and development on plantation related technologies for the Relevant Period and most of the assets and operations of the Target Group are located in the PRC.

24. INVESTMENT IN SUBSIDIARIES

	HK$
Unlisted investment, at cost	1

Investment in subsidiaries represents the Target Company's direct and indirect interests in the following entity:

Name of subsidiaries	Place of establishment and operation	Registered/ paid-up capital	Attributable equity interest held by the Target Company		Principal activities
			Direct	*Indirect*	
Gold Vantage Enterprises Limited ("Gold Vantage")	Hong Kong	HK$1	100%	–	Investment holding
Foshan Gold Vantage Forestry Limited	PRC	HK$600,000	–	100%	Plantation, research and development on plantation related technologies, manufacture and sale of plantation products

The PRC subsidiary is a wholly foreign-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of Gold Vantage.

25. DEFERRED TAX

A deferred tax asset has not been recognised for the following:

	2008
	HK$
Unused tax losses	548,533

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

26. CONTINGENT LIABILITIES

At 30 June 2008, neither the Target Group nor the Target Company had any significant contingent liabilities.

27. CAPITAL AND OPERATING LEASE COMMITMENTS

On 10 June 2008, Foshan Gold Vantage Forestry Limited, an indirectly wholly-owned subsidiary of the Target Company, entered into a concession agreement with XPCC for the right to use and operate certain plantation land. Pursuant to the terms of the concession agreement, XPCC allocates certain plantation lands owned by XPCC, with a total area of 60,000 Chinese mu including the stock of standing tree on the plantation land subject to obtaining of the harvest rights as well as certain plant and equipment erected thereon, to Foshan Gold Vantage Forestry Limited on the basis of a 30-year term lease, commencing on 1 July 2008, at the total consideration of RMB81,320,000. Upon obtaining the harvest rights to the standing tree, the Target Group would recognise these biological assets at fair value less estimated point-of-sale costs in accordance with HKAS 41 "Agriculture".

At the balance sheet date the Target Group had capital commitment in respect of certain plant and equipment erected on the plantation land at a consideration of HK$10,237,000 (RMB9,000,000). The consideration is subject to valuation adjustment for the plant and equipment by reference to an independent valuation report to be issued within three months after the date of the agreement. Up to the balance sheet date RMB40,000 was paid.

At the balance sheet date, the Target Group had commitment for future minimum lease payments under non-cancellable operating leases in respect of certain rented premises and plantation land as explained above which fall due as follows:

	Target Group *HK$*
Not later than one year	612,000
Later than one year but not later than five years	1,580,000
Later than five years	80,755,000
	82,947,000

28. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

As the Target Group have not commenced operation, it was not exposed to significant financial risk during the Relevant Period.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 June 2008.

Yours faithfully,

BDO McCabe Lo Limited
Certified Public Accountants

Lee Ka Leung Daniel
Practising Certificate Number P01220

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition of interest in Target Company involving the issue of HK$100,000,000 promissory note and Convertible Notes amounting to HK$400,000,000 of the Company (the "Very Substantial Acquisition"). On completion of the Very Substantial Acquisition, the Company will own 100% interest in Target Company. The pro forma financial information has been prepared on the assumption that the Company will be able to gain control of Tagret Company after the completion of the Very Substantial Acquisition. The pro forma financial information of the Enlarged Group has been prepared on the assumption that the Very Substantial Acquisition had been completed on 31 December 2007 in the case of the unaudited pro forma consolidated balance sheet, and on 1 July 2006 in the case of the unaudited pro forma consolidated income statement and the pro forma consolidated cash flow statement of the Enlarged Group.

(a) Unaudited Pro forma consolidated income statement of the Enlarged Group

"This unaudited pro forma consolidated income statement of the Enlarged Group is prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Very Substantial Acquisition assuming it was completed as of 1 July 2006."

The following unaudited pro forma consolidated income statement of the Enlarged Group has been prepared based on the audited consolidated income statement of the Group as extracted from the Company's published annual report for the year ended 30 June 2007 and the audited consolidated income statement of Target Group for the period ended 30 June 2008 as extracted from the Accountants' Report on the financial information of Target Group as set out in Appendix II to this circular.

Accordingly, the unaudited pro forma consolidated income statement of the Enlarged Group is prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the results of the Enlarged Group for the year ended 30 June 2007 or for any future period.

	Audited consolidated income statement of the Group for the year ended 30 June 2007	Pro forma adjustments: Audited consolidated income statement of the Target Group for the period from 13 July 2007 to 30 June 2008	Pro forma adjustments: Other pro forma adjustments		Pro forma consolidated income statement of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Turnover	153,726	–	–		153,726
Cost of sales	(99,825)	–	–		(99,825)
Gross profit	53,901	–	–		53,901
Other income	8,897	1	–		8,898
Distribution costs	(63,080)	–	–		(63,080)
Administrative expenses	(36,838)	(558)	(1,024)	*(a)*	(38,420)
Loss from operations	(37,120)	(557)	(1,024)		(38,701)
Finance costs	(1,595)	–	(53,755)	*(b)*	(55,350)
Finance income	–	–	–		
Loss before income tax expense	(38,715)	(557)	(54,779)		(94,051)
Income tax credit/(expense)	468	–	–		468
Loss for the year	(38,247)	(557)	(54,779)		(93,583)

Notes:–

(a) The adjustment reflects the depreciation of property, plant and equipment which were acquired under the concession agreement at total amount of HK$10,237,000 with estimated useful life of 10 years. The adjustment is expected to have a continuing effect on the Group.

(b) The adjustment represents the imputed interest expense with HK$11,723,000 for the period ended 30 June 2007 on the promissory note payable assuming the effective interest rate of 11.723% per annum and the imputed interest expenses with HK$42,032,0000 for the period ended 30 June 2007 on the liability component of the Convertible Notes assuming the effective interest rate of 11.723%. The basis of the effective interest rate is determined by the director with reference to the discounted rate suggested by the independent valuer – LCH (Asia Pacific) Surveyors Limited which sum up the risk free rate of 2.873%, credit spread of 8.1% and country risk of 0.75%. The adjustment is expected to have a continuing effect on the Group.

(b) Unaudited pro forma consolidated balance sheet of the Enlarged Group

This unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Very Substantial Acquisition as if it was taken place on 31 December 2007.

The following unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the unaudited consolidated balance sheet of the Group as at 31 December 2007 as extracted from the Company's published interim report for the period ended 31 December 2007 and the audited consolidated balance sheet of Target Group as at 30 June 2008 as extracted from the Accountants' Report on the financial information of Target Group as set out in Appendix II to this circular after making pro forma adjustments relating to the Very Substantial Acquisition.

Accordingly, the unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2007 or for any future date.

		Pro forma adjustments			
	Unaudited consolidated balance sheet of the Group as at 31 December 2007	**Audited consolidated balance sheet of the Target Group as at 30 June 2008**	**Other pro forma adjustments**		**Pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2007**
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Non-current assets					
Property, plant and equipment	20,537	171	10,237	*a(i), a(ii)*	30,945
Investment properties	39,784	–	–		39,784
Construction in progress	311	–	–		311
Interests in leasehold land held for own use under operating leases	104	–	–		104
Intangible asset	–	–	34,202	*a(i)*	34,202
Standing timber	–		602,822	*a(i), a(iii)*	602,822
Deferred tax assets	1,104	–	–		1,104
	61,840	171	647,261		709,272

	Unaudited consolidated balance sheet of the Group as at 31 December 2007	Pro forma adjustments: Audited consolidated balance sheet of the Target Group as at 30 June 2008	Pro forma adjustments: Other pro forma adjustments	Note	Pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Current assets					
Inventories	38,587	–	–		38,587
Trade and other receivables	60,933	986	–		61,919
Income tax recoverable	1,965	–	–		1,965
Cash and cash equivalents	40,508	79	(2,800)	*b(iii)*	37,787
	141,993	1,065	(2,800)		140,258
Current liabilities					
Trade and other payables	81,135	74	10,237	*a(i), a(ii)*	91,446
Amount due to a director	–	1,705	(1,705)	*a(i), a(v)*	–
Other financial liabilities	41,653	–	–		41,653
	122,788	1,779	8,532		133,099
Net current assets (liabilities)	19,205	(714)	(11,332)		7,159
Total assets less current liabilities	81,045	(543)	635,929		716,431
Non-current liabilities					
Convertible note	–	–	358,544	*b, b(i)*	358,544
Promissory note payable	–	–	84,680	*b, b(ii)*	84,680
Deferred tax liabilities	5,148	–	150,706	*a(i), a(iv)*	155,854
	5,148	–	593,930		599,078

	Unaudited consolidated balance sheet of the Group as at 31 December 2007	Audited consolidated balance sheet of the Target Group as at 30 June 2008	Other pro forma adjustments		Pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2007
		Pro forma adjustments			
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
NET ASSETS/(LIABILITIES)	75,897	(543)	41,999		117,353
Capital and reserves					
Share capital	16,350	–		*c*	16,350
Convertible note equity reserve	–	–	41,456	*b, b(i)*	41,456
Accumulated profit/(loss)	59,547	(543)	543	*c*	59,547
Total equity	75,897	(543)	41,999		117,353

Notes:–

(a) (i) The adjustments reflect the recognition of fair value adjustments on assets and liabilities of the Target Group and intangible assets (including goodwill) arising on the Acquisition.

According to the Group's accounting policies, the Group shall determine the fair value of the identifiable net assets including intangible assets of the Target Group and calculate the goodwill arising from the Acquisition which represent the difference between the purchase consideration and the Group's share of the fair value of the identifiable net assets of the Target Group. Currently, the Group does not have all necessary and detailed financial information required to determine the fair value of the Target Group's intangible assets with reasonable accuracy for the purpose of this pro forma adjustment. Different fair value of the Target Group's intangible assets may lead to different total amount of net assets (including goodwill) of the Enlarged Group upon completion.

For the purpose of this unaudited pro forma consolidated balance sheet of the Enlarged Group, the fair value of the intangible assets other than goodwill is assigned as zero.

The goodwill (including intangible assets) arising on the Acquisition is calculated as follows:

		Carrying amount	**Fair value adjustments**	**Fair value (provisional)**
		HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	*note (a) (ii)*	171	10,237	10,408
Intangible assets		–	–	–
Standing timber	*note (a) (iii)*	–	602,822	602,822
Trade and other receivables		986	–	986
Cash and cash equivalents		79	–	79
Trade and other payables	*note (a) (ii)*	(74)	(10,237)	(10,311)
Amount due to a director		(1,705)	–	(1,705)
Deferred tax liabilities	*note (a) (iv)*	–	(150,706)	(150,706)
Fair value of net assets of the Target Group acquired				451,573
Assignment of loan	*note (a) (v)*			1,705
				453,278
Total costs of the Acquisition	*note (b)*			487,480
Goodwill arising on the Acquisition				34,202

(ii) The fair value of the property, plant and equipment of HK$10,237,000 (equivalent to RMB9,000,000) was estimated by the director of the Group and is subject to further valuation adjustment by reference to an independent valuation report to be issued within three months after the date of the Concession Agreement. Amount is considered as pro forma adjustment as the title of the property, plant and equipment will be transferred to the Target Group on 1 July 2008.

(iii) The fair value of the standing timber of HK$602,822,000 (equivalent to RMB530,000,000) was determined by the director of the Group based on the valuation report issued by LCH (Asia-Pacific) Surveyors Limited, which was set out in Appendix IV to this Circular.

(iv) Deferred tax was determined at rate of 25% on the fair value adjustments on assets and liabilities of the Target Group arising on the Acquisition.

(v) The adjustments reflect the acquisition of the loan made to Ample Rich by a director of Ample Rich and to be assigned by the Vendor to the Company pursuant to the Acquisition Agreement.

(b) In accordance with the Sale and Purchase Agreement (as defined in this circular), the fair value of the consideration for the Acquisition is HK$500,000,000 which are satisfied as: (i) HK$400,000,000 by the issue of Convertible Note at the Completion (as defined in this circular); and (ii) HK$100,000,000 by the issue of Promissory Note at the Completion.

An analysis of the total cost of the Acquisition is set out as follows:

		Fair value
		HK$'000
Fair value of the consideration for the Acquisition:		
– the portion satisfied by the issue of Convertible Note	*note (b)(i)*	400,000
– the portion satisfied by the issue of Promissory Note	*note (b)(ii)*	84,680
		484,680
Estimated transaction costs incurred directly attributable to the Acquisition	*note (b)(iii)*	2,800
		487,480

(i) In accordance with HKAS 32, a convertible note is a compound financial instrument which is required to separate its compound parts on initial recognition. The liability component is measured first, and the difference between the proceeds of the note issue and the fair value of the liability is assigned to the equity component.

(ii) In accordance with the Sale and Purchase Agreement, the Promissory Note is interest free and will be repayable on demand upon the expiry of 18 months from the date of the agreement. The fair value estimated to be approximately HK$84,680,000 by the director of the Company.

(iii) The transaction costs directly attributable to the Acquisition are estimated to be approximately HK$2,800,000.

(c) The adjustments reflect the elimination of share capital of HK$7.8 and pre-acquisition equity of HK$543,000 in the Target Group on 30 June 2008.

(d) The Group will determine the fair value of the Target Group's intangible assets upon Completion. Since the fair value of the identifiable net assets of the Target Group at the Completion may be substantially different from the fair value used in the preparation of this unaudited pro forma consolidated balance sheet of the Enlarged Group, the final amount of intangible assets (including goodwill) to be recognised in connection with the Acquisition may be different from the estimated intangible assets (including goodwill) stated herein.

(c) Pro forma consolidated cash flow statement of the Enlarged Group

This unaudited pro forma consolidated cashflow statement of the Enlarged Group is prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Very Substantial Acquisition assuming it was completed as of 1 July 2006.

The following unaudited pro forma consolidated cash flow statement of the Enlarged Group is prepared based on the audited consolidated cash flow statement of the Group as extracted from the Company's published annual report for the year ended 30 June 2007 and the audited consolidated cash flow statement of Target Group for the period ended 30 June 2008 as extracted from the Accountants' Report on the financial information of Target Group as set out in Appendix II to this circular as if the acquisition of the Target Group was taken place as at 1 July 2006.

Accordingly, the unaudited pro forma consolidated cash flow statement of the Enlarged Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended 30 June 2007 or for any future period.

		Pro forma adjustments			
	Audited consolidated cash flow statement of the Group for the year ended 30 June 2007	**Audited consolidated cash flow statement of the Target Group for the year ended 30 June 2008**	**Other pro forma adjustments**		**Pro forma consolidated cash flow statement of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Cash flows from operating activities					
Loss before income tax expense	(38,715)	(557)	(54,779)	*(a), (b)*	(94,051)
Adjustments for:					
Interest income	(150)	(1)			(151)
Interest expense	1,595	–	53,755	*(b)*	55,350
Depreciation on property, plant and equipment	9,410	7	1,024	*(a)*	10,441
Amortisation on interest in leasehold land held for own use under operating leases	147	–	–		147
Impairment losses on inventories recognised/(reversed)	3,305	–	–		3,305
Impairment losses on trade and other receivables recongised/(reversed)	6,631	–	–		6,631
Loss on disposal of property, plant and equipment and construction in progress	2,073	–	–		2,073

	Audited consolidated cash flow statement of the Group for the year ended 30 June 2007	Pro forma adjustments: Audited consolidated cash flow statement of the Target Group for the year ended 30 June 2008	Pro forma adjustments: Other pro forma adjustments		Pro forma consolidated cash flow statement of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
Operating loss before working capital changes	(15,704)	(551)	–		(16,255)
Increase in inventories	(14,883)	–	–		(14,883)
Increase in trade and other receivables	(10,989)	(985)	–		(11,974)
Increase in trade and other payables	14,460	–	–		14,460
Net cash used in operations	(27,116)	(1,536)	–		(28,652)
Income tax paid outside Hong Kong	(822)	–	–		(822)
Net cash used in operating activities	(27,938)	(1,536)	–		(29,474)
Cash flows from investing activities					
Issuance expenses			(2,800)	*(c)*	(2,800)
Payment for purchase of property, plant and equipment	(740)	(105)	–		(845)
Payment for construction in progress	(3,080)	–	–		(3,080)
Net proceeds from sale of property, plant and equipment	477	–	–		477
Net proceeds from sale of construction in progress	414	–	–		414
Interest received	150	1	–		151
Net cash used in investing activities	(2,779)	(104)	(2,800)		(5,683)
Cash flows from financing activities					
Proceeds from bank borrowings	80,082	–	–		80,082
Repayment of bank borrowings	(45,861)	–	–		(45,861)
Net proceeds from issuance of new shares	13,331	–	–		13,331
Interest paid	(1,595)	–	–		(1,595)
Increase in amount due to a director	–	1,705	–		1,705
Net cash from financing activities	45,957	1,705	–		47,662
Net increase in cash and cash equivalents	15,240	65	(2,800)		12,505
Effect of foreign exchange rate changes	448	14	–		462
Cash and cash equivalents at beginning of year	4,728	–	–		4,728
Cash and cash equivalents at end of year	20,416	79	(2,800)		17,695

Notes:–

(a) The adjustment reflects the depreciation of property, plant and equipment which were acquired under the concession agreement at total amount HK$10,237,000 with estimated useful life of 10 years. The adjustment is expected to have a continuing effect on the Group.

(b) The adjustment represents the imputed interest expense with HK$11,723,000 for the period ended 30 June 2007 on the promissory note payable assuming the effective interest rate of 11.723% per annum and the imputed interest expenses with HK$42,032,0000 for the period ended 30 June 2007 on the liability component of the Convertible Notes assuming the effective interest rate of 11.723%. The basis of the effective interest rate is determined by the director with reference to the discounted rate suggested by the independent valuer – LCH (Asia Pacific) Surveyors Limited in assessing the Convertible Notes Valuation which sum up the risk free rate of 2.873%, credit spread of 8.1% and country risk of 0.75%. The adjustment is expected to have a continuing effect on the Group.

(c) The adjustment represents the transaction costs directly attributable to the Acquisition which are estimated to be approximately HK$2,800,000 and paid immediately upon completion of Acquisition.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

BDO McCabe Lo Limited
Certified Public Accountants
德豪嘉信會計師事務所有限公司

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永安中心 25 樓
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The Board of Directors
Benefun International Holdings Limited

30 September 2008

Dear Sirs,

We report on the statement of unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Benefun International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the entire interest in the Ample Rich Enterprises Limited and its subsidiaries (together with the Group referred to as the "Enlarged Group") might have affected the financial information presented, for inclusion in pages 107 to 116 in Appendix III "Unaudited Pro Forma Financial Information of the Enlarged Group" to the circular of the Company dated 30 September 2008 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 107 of the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Unaudited Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Unaudited Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 31 December 2007 or any future date and the results and cash flows of the Enlarged Group for the year ended 30 June 2007 or any future period.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
BDO McCabe Lo Limited
Certified Public Accountants

Lee Ka Leung Daniel
Practising Certificate Number P01220

The following is the summary report on agricultural assets to be acquired by the Group as at 30 June 2008 prepared by LCH (Asia-Pacific) Surveyors Limited for the purpose of inclusion in this circular.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
CHARTERED SURVEYORS
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL SERVICES VALUERS

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee and entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. It is emphasised that the findings and conclusions presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusion. The word valuation has the same meaning as appraisal in the report.

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road Central
Hong Kong

30 September 2008

The Directors
Benefun International Holdings Limited
23rd Floor
Sing Ho Finance Building
Nos. 166-168 Gloucester Road
Wan Chai
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of Benefun International Holdings Limited (hereinafter referred to as the "Company"), we have conducted an agreed-upon procedures valuation on the market value of a designated agricultural asset i.e. stocks of standing trees (hereinafter referred to as the "Subject Asset" and see *Note*) presented to us as held by Foshan Gold Vantage Forestry Limited (hereinafter referred to as "Foshan GV") and located at Shihezi City, Xinjiang Uygur Autonomous Region of the People's Republic of China (hereinafter referred to as the "PRC" or "China") as at 30 June 2008 (hereinafter referred to as the "Date of Valuation") for the Company's internal management reference purpose. We confirm that we have carried out inspection, made relevant enquiries and have based on a set of documents as supplied by the management of the Company and Foshan GV to arrive at our valuation. Our findings and conclusion in this valuation are documented in an appraisal report and submitted to the Company at today's date.

Note: *According to International Valuation Guidance Note No.10 of the IVS, agricultural property asset can be classified as land, structural improvement, plant and machinery (attached or not attached to the land) and biological asset (attached or not attached to the land). Biological asset is defined as a living animal or plant.*

At the request of the management of the Company, we prepared this summary report to summarise our findings and conclusion as documented in the appraisal report for the purpose of inclusion in a public document at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the appraisal report, and the assumptions and caveats adopted in the appraisal report also apply to this report.

INTRODUCTION

We are given to understand that Foshan GV was incorporated in the PRC with limited liability and held the Subject Asset in various places in Shihezi City, Xinjiang Uygur Autonomous Region of China.

Based on the information provided to us, we understand that Foshan GV and The Agricultural No. 8 Division No. 142 Regiment of the Xinjiang Production and Construction Corps (新疆石河子農八師142團 and hereinafter referred to as "142 Regiment" or as XPCC as defined in this circular) entered into a concession for the operating rights and forestry management for a plantation land covering an area of about 60,000 Chinese Mu (or "mu" used in this report) for a term of 30 years.

We understand that 142 Regiment managed a total area of about 1.01 million mu and the plantation land is situated within this area. Based on the condition of the land, the plantation land is categorised into:

1) Plantation Area A – the area is a contiguous land covering about 12,000 mu of unplanted land. Since the land managed by the 142 Regiment generally have high salinity and alkali content, conditioning for a couple of years is necessary before being ready for planting products like cotton. We were informed that the Plantation Area A is almost ready for planting at the time of our inspection.

2) Plantation Area B – the area is a contiguous land covering about 8,000 mu of unplanted land adjacent to Plantation Area A on its western side. We were informed that the Plantation Area B is almost ready for planting at the time of our inspection.

3) Plantation Area C – the area covers about 10,000 mu in two sections of the land managed by the 142 Regiment. It comprises various parcels of road side lands along various farm lands within an area of about 200,000 mu in the northern portion of the land managed by the 142 Regiment. The farm lands in the area are planted with various crops and the area allocated to Plantation Area C is not yet planted.

4) Plantation Area D – the area covers about 30,000 mu of various parcels of road side land within an area of about 800,000 mu in the land managed by the 142 Regiment. The farms lands in the area are planted with various crops and the area allocated to Plantation Area D is where the Subject Asset is located.

In conducting our valuation, we were provided with a forestry survey report (hereinafter referred to as the "Forestry Report") prepared by Xinjiang Shihezi Forestry Station (see *Note 1*) and we were instructed to base our valuation on this report. According to the Forestry Report, the Subject Asset is located in Plantation Area D comprising standing trees of mostly poplar trees (scientific name of Populus tremula) mixed with various species of deciduous trees like elm, willow and other species of poplar. The estimated total timber volume was estimated at 632,991 cubic meters (cu. m.) with about 632,109 cu. m. attributable to poplar trees and 882 cu. m. attributable to mix trees of elm, willow and other species of poplar.

The Forestry Report adopted the sampling method in estimating the total timber volume by dividing the area into 20 sampling areas of about 0.5 mu per sampling area. As advised by Xinjiang Shihezi Forestry Station, a national professional qualified body to perform the subject site survey, this sampling ratio has been commonly adopted by them in conducting similar kinds of survey.

We were also informed during our inspection that the farmers were given responsibility for caring for the trees and to complete statistic reporting forms issued by the local forestry bureau. We were given to understand that the statistic reporting forms also used by Xinjiang Shihezi Forestry Station in preparing the Forestry Report.

During the sampling, data like the number of trees, diameter-at-breast height (DBH), merchantable height and tree age were gathered for each area according to various forestry investigation standards in China (see *Note 2*). The following translation about sampling investigation work conducted by Xinjiang Shihezi Forestry Station was extracted from the Forestry Report and for the readers' quick reference.

1.1 Fieldwork investigation and internal statistics

1.1.1 Division of land

Based on the scope of investigation to determine the location, the land was divided and based on its existing status which in line with the investigation requirements.

1.1.2 With respect to the basic requirements for division, requirements for division of site, composition of tree species, age of forest, etc., slope drawing (對坡勾繪) (since the boundary was unknown, it was determined on the location deep inside the woodland) was adopted for dividing sub-plots. In this investigation, 20 sampling areas were divided. An area of 0.5 mu in each area was sampled at random, and fact finding and resources investigation were conducted from the sub-plots.

Notes:

1. *Xinjiang Shihezi Forestry Station is the governmental body which is responsible for policy planning, management and monitoring, research and development, survey and inspection, investigation and patrol of the local forestry resources, wood production and trading activities of Shihezi City of Xinjiang. Officials of national professional qualifications perform site survey and inspection covering the whole forestry and woodland areas of Shihezi City.*

2. *As the Subject Asset is in China, it is common to adopt forestry investigation standards of China*

1.1.2.1 Sub-plot investigation

Sub-plot investigation largely involved the investigation of sub-plot volume as well as the average diameter-at-breast height, average height and number of samples in the forest in the sub-plot, and the requirements for the siting of woodland, traffic condition, etc. Angle gauge sample plot investigation approach was adopted for volume investigation. By means of angle gauge estimate survey, every tree was observed in the sample plot to obtain the sectional area (diameter-at-breast height estimated by observation and average height estimated by sight by diameter class) of each hectare to distinguish tree species.

1.1.3 Fieldwork statistical method

1.1.3.1 Area statistical method

After areas of various types of land were divided on the location, the statistical areas were calculated by using transparent squared papers computation (refer to "Table of Statistics on Areas of Various Types of Land)

Total land area = Σ areas of various types of land
Areas of various types of land = Σ sub-plots of that land
Area of sub-plots = arithmetic sub-plot value * adjusted value
Adjusted value = (forest lot area – sum of arithmetic values of various sub-plots in forest lot)/area of forest lot

1.1.3.2 Volume statistical method

Volume was obtained from the statistics on the investigation data of the sub-plots
Volume per hectare M = Σ volume of diameter classes
Volume of diameter classes M = Σ diameter sectional area * high value of diameter classes
Volume of sub-plots M = Σ volume per hectare * area of sub-plots
Volume of forest lot M = Σ volume of sub-plots

Notes: 1. *Statistical method for the number of plants is consistent with the statistical method for volume.*

2. *Volume statistics were conducted respectively based in the books.*

1.1.3.3 Relevant standards for investigation purpose

1.1.3.3.1 Size measurement

Size measurement of raw timber is the measurement of the length and diameter of raw timber. In this investigation, the standards specified under the national standard GB144.2-84 "inspection of raw timber and measurement of size" were adopted for measuring the size of raw timber.

1.1.3.3.2 Evaluation of materials

The method specified under the national GB/T155-1995 was adopted for evaluating raw timber materials.

1.1.3.3.3 Calculation of volume of timber materials

In this investigation, the volume calculation formula specified under the national standard GB/4814-1984 was adopted for the calculation.

1.1.3.3.4 Other indicators relevant to the investigation purpose

1.1.3.3.4.1 "Indicator for Raw Timber Materials with Small Diameter" (GB/T11716-1999)

1.1.3.3.4.2 "Indicator for Short Raw Timber Materials" (ZB/B68010-1989)

1.1.3.3.4.3 "Indicator for Purlin Materials" (LY/T1157-1994)

1.1.3.3.4.4 "Indicator for Raw Fir Log Materials" (GB/T5309-1998)"

DESCRIPTION

Xinjiang Uygur Autonomous Region

Xinjiang Uygur Autonomous Region ("Xinjiang") is located in the northwestern part of China and is the largest in area in all of the provincial level administrative regions. It covers an area of about 1.66 million square kilometers, about one sixth of the whole country. It is one fourth of the total boundary of China with temperate zone desert climate.

Presently, there are 14 prefectures and 88 counties under the local government including 33 counties in border areas. The Xinjiang Production and Construction Corps is an important component of the province and has 174 regimental agricultural and stockbreeding farms under its control.

The existing plants crops in the province is about 61.7 million mu from about 223 million mu of area reserved for farming. Large portion of the province is pasture land with about 720 million mu and forestry land at 163 million mu.

The forest in Xinjiang is mainly composed by three major parts; mountain area natural forest, natural and man-made forest in desert area and natural and man-made forest in river valleys. The estimated timber volume in the entire province is about 310 million cu. m.

The city of Shihezi is about 150 kilometers east from the provincial capital Urumqi, about 500 kilometers west of Huoerguosi port. It covers an area of about 7,529 square kilometers and the city's administrative area is about 460 square kilometers.

The elevation of the city of Shihezi range from 300 to 500 meters above sea level and the climate is continental temperate with long and severely cold winter with temperature of -13°C and summer with temperatures above 23°C.

The area has sufficient supply of river and underground water and is bounded by five rivers with total water runoff of about 1,530 million cu. m. Several large and medium size reservoirs have been constructed in the area with the total storage capacity estimated at 433 million cu. m.

Subject Asset - Tree Species

Elms, willows and poplars have several things in common. They can thrive in harsh environmental conditions such as poor soils, extreme temperatures and limited water. They can be easily propagated using asexual means, usually from cuttings and they grow fast in open fields. For these characteristics, they are preferred by farmers as tree component in agro-forestry systems in cool temperate climates in the northern hemisphere.

They are classified as deciduous trees whose main characteristic is that they shed their leaves during winter season where water is limited and daylight is shorter. This is a plant's natural adaptation to the limiting factors of light with reduced photosynthesis and water to prevent the release of water through the leaves.

Farm uses of the species include shelterbelts, wind breaks and soil erosion control. They are part of the soil preparation process as they allow the soil to retain moisture and gain nutrients. They are planted in closer spacing in contrast to common plantation methods as they are part of the soil preparation, to stabilize the soil to allow for planting of crops.

Commercially, the species are used for furniture, pulpwood, veneer and materials for engineered fiberboards. Round logs with smaller diameter are normally sold within the area while round logs over 40 cm diameter are traded in other places.

BASIS OF VALUE

The Subject Asset is valued on market value basis on the premise of continued use. The continued use premise assumes that the Subject Asset will be used for the purpose for which it was conceived or is currently carried out. The term "Market Value" is defined by the IVS as "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion" (see *Note*).

We further assumed that, subject to the above definition, both the buyer and the seller contemplate the retention of the Subject Asset as part of a going concern business of Foshan GV, and both seeking their maximum economic self-interest in arriving at an arm's-length transaction.

VALUATION PROCEDURES ADOPTED

In performing the valuation of the Subject Asset, we have adopted the following procedures which were agreed with the management of the Company before the engagement. They were:

- to read and based on the content of the supplied materials such as the Forestry Report to arrive at our opinion. In the course of the valuation, we will assume the supplied data and information are correct and we will not ascertain the correctness of the information that contained in the supplied materials;

- to prepare and submit list(s) of required document and information regarding the Subject Asset during the course of valuation. The completeness of the valuation depends on the availability of the required information being supplied by the management of the Company;

- to conduct limited scope of sampling inspection of the Subject Asset at location(s) designated by the Foshan GV. The purpose of the inspection is to have a better understanding of the nature of the Subject Asset and we will not conduct any form of verification or stock take work;

Note: Some forestry valuers referred the term "Market Value" as "the estimated amount of money that would be received for immediate sale of asset" and this value is "the price a timber buyer is willing to pay for the standing timber on a specific tract at a specific time", or simply referred by some forestry valuers as liquidation (stumpage) value.

- to hold discussions with relevant personnel and to review various documents such as the Forestry Report in order to have a better understanding of the Subject Asset and the use of the Subject Asset as part of a going-concern business of Foshan GV;

- to conduct appropriate research/consultation in order to obtain sufficient industry information to support our valuation. The scope of research/consultation is at the valuers own discretion;

- based on the information provided by the owner of the Subject Asset, to conduct valuation for the Subject Asset on "as-is, where-is" basis with appropriate standards and approach to value as at the Date of Valuation; and

- to document our findings and conclusion in our appraisal report.

VALUATION ASSUMPTIONS

The Subject Asset is valued on the basis of market value in continued use and as part of a going-concern business of Foshan GV. Implicit in this definition is the fact that one would not pay more than one would have to pay for an equally desirable alternative.

Market value in continued use is not intended to represent the amount that might be realised from piecemeal or break-up disposition in the open market or for other alternate use.

Our valuation has been made on the assumption that, as at the Date of Valuation,

1. the legally interested party in the Subject Asset sells the Subject Asset in its highest and best form in the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the Subject Asset;

2. the legally interested party in the Subject Asset has free and uninterrupted rights to assign the interests for the whole of the unexpired terms as granted and any premiums payable have already been fully paid;

3. all required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed for any use on which the value estimates contained in our report are based;

4. unless otherwise stated, the Subject Asset as part of a going-concern business of Foshan GV can be freely disposed and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the government;

5. the prospective earnings would provide a reasonable return to the subject inventory valued plus the value of other assets not included in this valuation and adequate working capital; and

6. the legally interested party in the Subject Asset has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as fire, insects and soil erosion) to the operation of the business and the proper usage of the Subject Asset.

Should this not be the case, it will have adverse impact to the reported value.

FACTORS CONSIDERED IN THE VALUATION

Unless otherwise stated, the valuation of the Subject Asset has taken account of all pertinent factors affecting the Subject Asset and its ability to generate value as part of a going-concern business of Foshan GV. The factors considered in the appraisal included, but were not limited to, the following:

- the nature and the characteristics of the Subject Asset;
- the present use of the Subject Asset as part of a going-concern business of Foshan GV;
- the forestry industry in China and the world as a whole;
- the capability of Foshan GV or its associates or contractors to harvest the inventory of the Subject Asset relatively soon; and
- the risks facing the Subject Asset.

ESTABLISHMENT OF TITLE

Due to the market value basis of the valuation, the management of the Company provided us the necessary documents to support that the legally interested party in the Subject Asset has free and uninterrupted rights to assign the Subject Asset (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, our procedures to value, as agreed with the management of the Company, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the Subject Asset from the relevant authorities.

For the sake of the valuation, we have been provided with copies of the documents regarding the ownership of the Subject Asset. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the Subject Asset valued. Any responsibility for our misinterpretation of the documents cannot be accepted. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the Subject Asset.

We have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copy of the PRC legal opinion as provided by the Company with regard to the existing legally interested party in the Subject Asset. We are given to understand that the PRC legal opinion was prepared by Kingson Law Firm, lawyers qualified to practice in China, (the "Legal Opinion") regarding the Subject Asset. No responsibility and liability is assumed in relation to the Legal Opinion.

Title and the licence rights to the Subject Asset are assumed to be good and marketable. We have assumed that the Subject Asset is freely disposable and transferable in the open market to both local and overseas purchasers without payment of any premium to the government.

In our valuation, we have assumed that the legally interested party in the Subject Asset has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue the ownership of the Subject Asset. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

INSPECTION AND INVESTIGATION OF THE SUBJECT ASSET

We have, where possible, conducted limited scope visual inspection of the Subject Asset in respect of which we have been provided with such information as we have requested for the purpose of our valuation. Due to physical barriers, we were unable to conduct detailed due diligence on the current occupation status of the said asset, and thus relied extensively on the information provided by the management of Foshan GV and the Company. No verification from our part is assumed. Due to the agreed-upon procedures basis, we were unable to inspect those assets which were covered, unexposed or inaccessible or not being arranged for inspection. We cannot express an opinion about or advice upon the condition of the Subject Asset and this report should not be taken as making any implied representation or statement about the conditions of the Subject Asset. No structural survey, investigation, test or examination has been made to the Subject Asset, but in the course of our limited inspection we did not note any serious defects in the asset inspected. We are not, however, able to report that the Subject Asset is free from rot, insect, infestations or any other defects. No tests were carried out to the services (if any) and we are unable to identify those services covered, unexposed or inaccessible.

Our valuation has been made on the assumption that no unauthorised alteration, extension, illegal usage or addition has been made to the Subject Asset, and that the use of our report does not purport to be a conditional survey of the Subject Asset. If the management of the Company is proposing to purchase the Subject Asset and wants to satisfy them as to the condition of it, then the management of the Company should obtain a third party surveyor's detailed inspection and report of their own before deciding whether or not to enter into an agreement for sale and purchase.

The purpose of our inspection was not to create an error free assets schedule or to have a full scope investigation on the quantity and the quality of the Subject Asset; rather, it was designed to give us a better understanding of the Subject Asset on a sampling basis. No responsibility or liability is assumed.

We have not carried out on-site measurements to verify the correctness of the dimensions, specifications and areas of the Subject Asset, but have assumed that the figures shown on the documents and handed to us are correct. All dimensions, measurements, specifications and areas are approximations.

Our engagement and the agreed procedures to value did not include an independent land survey to verify the legal boundaries and the exact locations of the Subject Asset. Therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries and location of the Subject Asset that appeared on the documents handed to us and advised by the Foshen GV's appointed personnel. The management of the Company or interested party in the Subject Asset should conduct their own legal boundaries due diligence work.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the subject land and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the subject land. We have not carried out any investigation into past or present uses, either of the said assets or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the subject land from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the subject land or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

APPROACH TO VALUE

In the process of valuing the Subject Asset, we have considered the three generally accepted asset appraisal approach to value, namely the Market Approach, the Income Approach and the Cost Approach.

The *market approach* considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

The *income approach* is the present worth of the future economic benefits of ownership. This approach is generally applied to assets where there is an established and identifiable economic benefits market such as rental income or royalty income or to an aggregation of assets in an entire business enterprise/project including working capital and tangible and intangible assets.

The *cost approach* considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets including costs of transportation, cutting, commissioning and consultants' fees. Adjustment is then made for accrued depreciation from physical deterioration, condition, utility, age, functional and economic/external obsolescence.

Based on the IVS and the normal practice to value standing tree, the market-based comparable method i.e. the Market Approach has been adopted in valuing the stocks of standing trees. This method uses the present market value in terms of price per unit cu. m. of round logs and the total merchantable volume of timber in the standing forest as basis for coming up with the estimated value. The underlying theory of this approach is existing market price is dependable parameter since it reflects how much the buyer is willing to pay and how much the seller is willing to give up his goods and services.

The Forestry Report did not provide the sampling design but the description provided indicates that simpler random sampling method was used in the survey. However, based on the information provided to us during our inspection, farmer's statistic reporting forms were also used in estimating the volume indicating the use of 100% inventory was also considered.

Since in each survey, there is always an allowable error, meaning the total volumes are not exact figures, the figures in the inventory information provided in the Forestry Report was being used as a valid data for the forest resources verification.

Based on the Forestry Report provided to us, the total timber volume available for logging is estimated at:

Tree Specie	**Total Timber Volumes (cu.m.)**
Poplar	632,109
Elm, Willow and other species of poplar	882
Total:	**632,991**

About 96% of the total timber volume of Poplar trees is near mature and mature trees.

Based on the valuation procedures agreed with the Company prior to the commencement of our valuation and on the data gathered from Foshan GV's appointed personnel and outside sources, we have adopted the market approach in conducting our valuation. In using the market approach we have used the following formula to arrive at the estimated market value:

MV = (TV*RR)*P-C

Where:

MV	Market value
TV	Total volume of logs
RR	Recovery rate
P	Respective mill gate price per cu. m. of Poplar and Other Species of Deciduous round logs (see *Note*), and
C	Costs including felling and transportation.

The valuation method is limited to the following basic assumptions:

- That the end product or the market being assessed are for round logs;
- The TV considered in our valuation is about 632,991 cu. m.; and
- The prices of logs for various species are homogenous and the average price for all species was used as basis.

From the total timber volume, we have considered recovery rate to allow for wastages, wood defects and possible sampling survey error. Logging wastes like stumps, tops and branches that can be marketed for firewood in nearby communities or other wood based industries that utilise logging wastes to manufacture wooden tiles, fiberboards, etc., were not considered.

Respective mill gate prices were taken from our interview with relevant Foshan GV's appointed personnel, forestry officials, local sawmill round log prices and wood products industry information in China from various websites in the public domain made available to us, (including but not limited to www.hzlyj.com, www.xysly.gov.cn and www.yangshu.org). We have adopted prices ranging from RMB700 to RMB1,300 per cu. m. depending on the tree specie and diameter class based on the Forestry Report.

The costs considered in our valuation included felling and transportation of round logs from the forest to local point of sales.

Note: A bole or a large branch after felling. Under the International Tropical Timber Organisation definition it is referred to as Industrial Roundwood. Roundwood is wood in its natural state as felled or otherwise harvested, with or without bark, round, split, roughly squared or in other forms. Roundwood includes spars, posts, poles and piles.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the Subject Asset. Also, unless disclosed in this valuation, no allowance has been made in our valuation for any expenses or depreciation or taxation, which may be incurred in effecting a sale of the Subject Asset. Unless otherwise stated, it is assumed that the Subject Asset is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

We are unable to identify any adverse news against the Subject Asset which may affect the reported value in our report as at the date of this report. Thus, we are not in the position to report and comment on its impact (if any) to the Subject Asset. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the value reported herein.

There are a number of factors that influence the prices of the round logs apart from seasonal price fluctuations. These factors may affect the volume and quality of product, the market prices of the product and other external factors. They are:

End product

The flow of timber from the forest to forest products passes through different stages of processing. Forest products such as logs (and firewood) are considered raw materials as they are removed from the forests with limited processing. Other products such as roundwood, splitwood and chainsaw lumber require a degree of conversion from the raw material. In China, there are a number of product types that are produced after further processing. These are engineered wood, sawmill lumber and chip wood. It is important to define the end use for different type of products.

Based on our understanding of the limited operation of Foshan GV in the area, round logs was taken into consideration in our valuation.

Presence of natural defects in the wood

Presence of internal and external defects on the wood also affects the quality and volume of the materials. The estimated volume per tree will decrease depending on the extent of the defects. These factors may be brought by natural (pests and diseases) and physical causes (damage).

Defects of the trunk comes in many forms, these are:

- Log Damage, which is brought about by hauling and handling of logs;

- Physical Defects - Rots, moisture availability is a factor that increases the risk of rot. Fungal growth and infection are dependent on these factors. Because of the dry weather conditions in Xinjiang Uygur Autonomous Region, the risks of spread of disease and rotting is a small factor, and

- Direction of grain, is the orientation of the grain to the length of the log. This occurs when trees grow tilted occurring mostly when blown by strong winds since it reorients its fibers. It is difficult to cut unwanted grains specially when producing veneers.

While these factors are not easily detectable, we have allowed for reasonable recovery rate in consideration of these possible defects.

Growth and Death Rates

Growth rates are also factors to be considered in the valuation. While there should be a plus or minus estimate of the incremental volume of the tree at the time of harvest so that this could be compared to the actual volume during the inventory, we have allowed for reasonable recovery rate in consideration these factors.

Calamities

The presence of calamities is a factor that reduces the volume in forest stands. Strong winds brings with it increases risk of damage and mortality of the standing timber. Since the timber stocks are generally over 5 years old, losses due to calamities are greatly reduced so we have not made any allowance in our valuation.

Time

The price per unit of the product is estimated using its current prices, which is only suitable for the present. While the market prices would be different based on cutting season, trends, costs, interest rates and time value of money, we did not allow for these factors due to lack of reliable data to forecast these changes.

Theft of Timber Stocks

Due to strict attitude of the local government, attitude of the farmers and local geography, we view that loss of timber stocks due to theft in this case is not a major factor.

Buyers' preference

Most buyers prefer logs with larger diameter measurements. Except for veneers, this means that the larger the diameter of a round log there would be high recovery rate if ever the buyer would process the logs in cut to sizes lumber. In taking this into consideration, we have adopted reasonable price adjustment between tree age in our valuation.

The scope of valuation has been determined with reference to the documents provided by and instruction given by the management of the Company.

SOURCES OF INFORMATION AND VERIFICATION

For the purpose of this appraisal, we were furnished with various copies of documents related to this appraisal and these copies have been referenced without further verifying with the relevant bodies and/or authorities. We need to state that we are not attorney of laws by nature, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the management of the Company. No responsibility is assumed.

In the course of valuation, we have fully accepted advice given to us on such matters as planning approvals or statutory notices, titles, locations, quantities, easements, tenure, occupation, specifications, site areas and all other relevant matters.

Our procedures to value did not include undertaking a feasibility study of the proposed expansion of the Subject Asset. Accordingly we do not express an opinion as to the merit or demerit of any future expansion (if any).

Our engagement did not include an independent forestry survey to verify the information provided. We need to state that we are not in the forestry survey profession, therefore, we are not in the position to verify or ascertain the correctness with regard to the information provided. No responsibility is assumed.

We are not contracted to conduct a due diligence to review the existing forestry industry and related resources granting out policies in China. In the course of appraisal, we have solely depended on the advices given by the management of the Company and its legal advisor as named in this report. We are unable to accept any responsibility for the reliability of the advice.

When we adopted the work products from other professions, external data providers and/or the management of the Company in our valuation, the assumptions and caveats adopted by them in arriving at their opinions also applies in our valuation. The procedures we have taken do not require us to examine all the evidences, like an auditor, in reaching at our opinion. As we have not performed an audit, we are not expressing an audit opinion in our valuation.

Unless otherwise stated, the base currency of our report is Renminbi Yuan ("RMB").

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. Our analysis and appraisal are based upon full disclosure between us and the management of Company of material and latent facts that may affect the appraisal. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

LIMITING CONDITIONS OF THIS SUMMARY REPORT

This report is provided strictly for the sole use of and valid to the Company. Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in a circular to the Company's shareholders' reference.

We understand that the management of the Company will use our work product as part of its business diligence and we have not been engaged to make specific purchase or sale recommendations or to give opinion on financing arrangement. We further understand that the management of the Company will not rely solely on our work, and that the use of our work product will not supplant other due diligence which the management of the Company should conduct in reaching its business decision. Our work is designed solely to provide information that will give the management of the Company a reference to form part of its internal business due diligence.

Our opinion of value in this report is valid only for the stated purpose and only for the Date of Valuation. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or financial condition or other conditions, which occur subsequent to the date hereof.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

OPINION OF VALUE

Based on the investigation, analysis, stated assumptions, limitations, reasoning and data outlined as above, and on the appraisal method employed, it is our opinion that as of the Date of Valuation the market value of the Subject Asset (before taking into consideration any transaction costs), as part of a going-concern business of Foshan GV, is reasonably stated by the amounts of RENMINBI FIVE HUNDRED AND THIRTY MILLION YUAN ONLY (RMB530,000,000.00).

STATEMENT

The concluded value in our report is based on generally accepted appraisal procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgement in arriving at the appraisal, the readers are urged to consider carefully the nature of such assumptions which are disclosed in our report and should exercise caution in interpreting our report.

Our valuation is prepared in line with the guidelines as contained in the IVS and have been made in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation. Also, we have followed the requirements as contained in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to obtain a valid legal opinion on the title of the Subject Asset. The valuation has been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuation.

We retain a copy of this report in our files, together with the data from which it was prepared. These data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of our report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interest in the Subject Asset, the Company and Foshan GV.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Ho Chin Choi, Joseph *BSc PgDip RPS(GP)*
Managing Director

Contributed Valuers:
Rolando Arcaya *BSME ASA*
Martin A. Talento *BSc MSc Forester*

Qualification Statements of the Valuers:

1. ***Mr. Joseph Ho Chin Choi*** *has been conducting asset valuations and advisory work in Hong Kong, Macau, Taiwan, mainland China, Japan, South East Asia, Australia, Finland, Germany, Guyana, Canada and the United States of America for various purposes since 1988. He obtained the Examination Certificate of the Uniform Standards of Professional Appraisal Practice issued by the American Society of Appraisers in 1996. He has extensive experience in the valuation of various types of intangible assets and power plants, toll road, health products and foodstuffs, minerals, agricultural property assets, financial services, luxurious consumer goods, pharmaceutical and biotechnology, electronic consumer products manufactory, telecommunication, media and information technology related businesses for the listed companies in Hong Kong, Taiwan, mainland China, Singapore, Malaysia, the United Kingdom, Canada and the United States of America. At present, he is a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors.*

2. ***Mr. Rolando R. Arcaya*** *is an Accredited Senior Member (ASA) of the American Society of Appraisers in the discipline of machinery and equipment valuation. He specializes in the valuation of machinery and equipment in power projects, light and heavy industrial manufacturing plants, consumer products manufacturing, forest products manufacturing and special assets like stock and inventories of agricultural assets. He has almost 30 years of valuation experience of which over 20 years were spent in Hong Kong. Over the length of his valuation experience, he has valued and managed the valuation of inventory of man-made forests and a number of forest product related industries like veneer and plywood plants, paper manufacturing plants, and logging concessions located in the Philippines. He has also valued a number of forests (natural and man-made), paper and wood processing plants in China for various purposes.*

3. ***Mr. Martin A. Talento*** *is a geographical information systems (GIS) analyst in Victoria, Australia. He obtained his Bachelor of Science in Forestry (Major in Social Forestry and Forest Governance) from University of the Philippines, Masters in Environment and Natural Resources from University of the Philippines Open University, Management major in Upland Management (Senator Francis Pangilinan scholarship grantee -continuing) from University of the Philippines Open University and undergraduate units in Forest Products Engineering in the University of the Philippines. He has more than 5 years experience in forest industry and environmental studies. In the Philippines, he have worked in various companies as forestry specialist in the preparation of forest resources management plans, Environmental Impact Assessment (EIA) studies, and issuance of Resource Use Permit for timber harvesting in Community Forestry projects. He is an expert in the application of GIS technology in forest and land valuation, sustainable resource allocation and planning, and in the review of regional forest agreements. He has facilitated trainings for in the use of GPS for forest surveys, formulation of community management frameworks for local cooperatives, forest mensuration and setting up of biological and threat monitoring systems. He has valued various forests in China and Guyana for various purposes.*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

	HK$
Authorised 10,000,000,000 ordinary shares of HK$0.01 each	
Issued and fully paid or credited as full paid: 1,955,029,000 shares of HK$0.01 each	19,550,290
Conversion Shares to be issued pursuant to exercise of the Convertible Notes in full 6,250,000,000 shares of HK$0.01 each	62,500,000
8,205,029,000	82,050,290

All of the Shares in issue rank pari passu in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other Shares in issue on the date of issue.

The Conversion Shares shall rank pari passu with all the Shares in issue in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other Shares in issue on the date of issue.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:–

	Number of Shares (Note)	*% of total issued Shares*
Mr. Tan Sim Chew	248,505,226	12.71%
Mr. Fu Zi Cong	3,874,000	0.2%
Mr. Lo King Fat, Lawrence	3,300,000	0.17%

Note: These Shares are held by the respective Directors personally as beneficial owners.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company has an interest or short position in any Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(b) Directors' interests in assets and contracts

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 30 June 2007, being the date to which the latest published audited accounts of the Company were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Enlarged Group.

(c) Directors' and controlling shareholders' interests in competing business

As at the Latest Practicable Date, none of the Directors or the controlling Shareholders and their respective associates has any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

(d) Substantial shareholders' and other shareholders' interests

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executive of the Company, no other person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

	Number of Shares	*% of total issued Shares*
Mr. Tan Sim Chew	248,505,226	12.71%
Leader Symbol Holdings Limited *(Note)*	138,242,477	7.07%

Note: Leader Symbol Holdings Limited is wholly-owned by Ms. Ng Guek Keow

4. 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 member of the Enlarged Group within one year without payment of compensation, other than normal statutory obligation.

5. MATERIAL CONTRACTS

Save as disclosed below, the members of the Enlarged Group have not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular which are or may be material:–

(1) the disposal agreement dated 16 May 2008 made between Fun (Xiamen), a wholly owned subsidiary of the Company, as vendor and Xiamen Fanpai Garment Limited as purchaser for the disposal of the trademark with the logo "FUN" as registered with the Trademark Office State Administration of Industry and Commerce People's Republic of China at a consideration of RMB20,000,000 (approximately HK$22,300,000);

(2) the share subscription agreement dated 4 January 2008 made between the Company and Mr. Neo Hock Soon, Ms. Neo Guek Peng and Mr. Fan Po Lo for the subscription of 320,000,000 Shares at a subscription price of HK$0.072 per Share;

(3) the share subscription agreement dated 11 June 2007 made between the Company and Mr. Neo Hock Soon and Ms. Neo Guek Peng for the subscription of 85,000,000 Shares at a subscription price of HK$0.157 per Share;

(4) the share subscription agreement dated 6 February 2007 made between the Company and Leader Symbol Holdings Limited for the subscription of 151,600,000 Shares at a subscription price of HK$0.066 per Share;

(5) the Acquisition Agreement; and

(6) the Concession Agreement.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group is engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinions, letters or advice contained or referred to in this circular:

Name	Qualification
BDO McCabe Lo Limited	Certified Public Accountants
LCH (Asia-Pacific) Surveyors Limited	Chartered Surveyors

The above experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their opinion or letters, as the case may be, and references to their name, opinion or letters in the form and context in which they appear.

As at the Latest Practicable Date, the above experts are not beneficially interested in any shareholding in the Company nor have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company, nor did they have any interest, either direct or indirect, in any assets of the Company which have been, since 30 June 2007 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of or leased to, or are proposed to be acquired or disposed of or leased to, the Company.

8. MISCELLANEOUS

(a) So far as is known to the Directors, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholders, whereby he/she/it has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of his/her/its Shares to a third party, either generally or on a case by-case basis.

(b) So far as is known to the Directors, as at the Latest Practicable Date, there was no discrepancy between any Shareholder's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the EGM.

(c) The registered office of the Company is situated at Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.

(d) The head office and principal place of business of the Company in Hong Kong is 23/F., Sing Ho Finance Building, 166-168 Gloucester Road, Wan Chai, Hong Kong.

(e) The company secretary of the Company in Hong Kong is Mr. Lo King Fat, Lawrence who is an associate member of the Hong Kong Institute of Certificate Public Accountants.

(f) The qualified accountant of the Company is Mr. Lo King Fat, Lawrence who is an associate member of the Hong Kong Institute of Certificate Public Accountants.

(g) The Company's Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited at Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(h) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office of the Company at 23/F., Sing Ho Finance Building, 166-168 Gloucester Road, Wan Chai, Hong Kong from the date of this circular up to and including the date of the EGM:–

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(c) the written consents referred to under the section headed "Experts and Consents" in this appendix;

(d) the annual reports of the Company for the two years ended 30 June 2006 and 30 June 2007 respectively and the interim report of the Company for the six months ended 31 December 2007;

(e) the Accountants' Report signed by BDO McCabe Lo Limited, the text of which is set out in Appendix II to this circular;

(f) the Accountants' Report on unaudited pro forma financial information of the Enlarged Group signed by BDO McCabe Lo Limited, the text of which is set out in Appendix III at page 117-118 to this circular;

(g) the summary valuation report on the agricultural assets proposed to be acquired by the Group prepared by LCH (Asia-Pacific) Surveyors Limited, the text of which is set out in Appendix IV to this circular;

(h) the working capital comfort letter as provided by BDO McCabe Lo Limited to the Board pursuant to the requirements of rule 14.66(4) of the Listing Rules;

(i) circular of the Company date 30 September 2008;

(j) the Acquisition Agreement; and

(k) the Concession Agreement.

1. **Mr. Cheung Ngai Lam**, aged 39, was appointed as an independent non-executive Director on 4 July 2008. He is also a member of the audit committee and the remuneration committee of the Company.

   Mr. Cheung is a member of the American Institute of Certified Public Accountants and CPA Australia. Mr. Cheung obtained a Bachelor Degree in Social Sciences from the University of Hong Kong in 1991, a Master of Accounting Degree from Curtin University of Technology, Perth, Australia in 1997 and a Master of Science (Investment Management) Degree in Finance from the Hong Kong University of Science and Technology in 2001. He was an independent non-executive director of Moscote Holdings Limited, a Hong Kong listed company, during the period from 9 March 2005 to 7 April 2008. Mr. Cheung currently works as the Corporate Development Director for Norstar Automobile Industrial Holding Limited. He is also an independent non-executive director of Hong Long Holdings Limited, a Hong Kong listed company. Mr. Cheung has extensive experience in accounting and capital markets; he served at Deloitte Touche from 1991 to 1994, and he was the Vice President and Executive Vice President of Daiwa Securities and Japan Asia Securities from 1994 to 2002 and 2002 to 2005 respectively. Mr. Cheung also worked as the Corporate Finance Director of Grant Thornton from 2005 to 2008.

   Save as disclosed above, Mr. Cheung did not hold any directorship in any listed public companies in the last three years and he does not hold any other position in the Company or any subsidiary of the Company.

   Mr. Cheung is appointed as an independent non-executive Director for a term of three years until 3 July 2011 and subject to the retirement and re-election requirements at annual general meeting of the Company in accordance with the Articles of Association. There is no agreement on the amount of the remuneration payable to Mr. Cheung. Mr. Cheung is entitled to a director's fee of HK$120,000 per annum which is determined with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation and subject to the approval of the Shareholders at the annual general meeting.

   Mr. Cheung is and was not connected with any Directors, senior management or substantial or controlling Shareholders of the Company. As at the date hereof, Mr. Cheung does not have any interests in the Shares within the meaning of Part XV of the SFO.

2. **Mr. Tsang Chung Yu**, aged 43, was appointed as an independent non-executive Director on 16 August 2008. He is also a member of the audit committee and the remuneration committee of the Company.

Mr. Tsang graduated from the Chinese University of Hong Kong in 1987 with a Bachelor of Social Science. He obtained his Bachelor of Laws (LLB) from the University of London in 1992 and his Postgradutae Certificate in Laws (PCLL) from the University of Hong Kong in 1993. He obtained his Master of Laws with Merit (LLM) from the University of London in 2003.

Mr. Tsang had served the Hong Kong Government as an executive officer from 1987 to 1988. In August 1988, he joined the Community Relations Department of the Independent Commission Against Corruption where he was responsible for community relations and administration. He stayed there until 1992. In 1993, Mr. Tsang worked as a trainee solicitor in Gallant Y. T. Ho & Co. until 1995. Upon admission in 1995, he stayed with Gallant Y. T. Ho & Co. as an associate. In 1996, he joined Y. T. Chan & Co. as an associate and became a consultant there in August 2000. He left Y. T. Chan & Co. in June 2007 and set up his own firm under the name of C. Y. Tsang & Co.

Mr. Tsang handles different areas of litigation including personal injury cases, employee compensation cases, insurance claims, bank claims, construction cases, complex commercial disputes, copyrights, design, patent and trade marks disputes, landlord and tenant cases, matrimonial cases, land related disputes, sale of goods disputes, bankruptcy and winding up cases.

Save as disclosed above, Mr. Tsang did not hold any directorship in any listed public companies in the last three years and he does not hold any position in the Company or any subsidiary of the Company.

Mr. Tsang is appointed as an independent non-executive Director for a term of three years until 15 August 2011 and subject to the retirement and re-election requirements at annual general meeting of the Company in accordance with the Articles of Association. Mr. Tsang is entitled to a director's fee of HK$120,000 per annum which is determined with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation and subject to the approval of the Shareholders at the annual general meeting.

Mr. Tsang is and was not connected with any Directors, senior management or substantial or controlling Shareholders. As at the date hereof, Mr. Tsang does not have any interests in the Shares within the meaning of Part XV of the SFO.

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 IS HEREBY GIVEN that the extraordinary general meeting (the "**Extraordinary General Meeting**") of Benefun International Holdings Limited (the "**Company**") will be held at 4/F., Opulent Building, 402-406 Hennessy Road, Wan Chai, Hong Kong on Monday, 20 October 2008 at 4:00 p.m. for the follow purpose:–

1. (a) To re-elect the following directors:–

   (i) Mr. Cheung Ngai Lam;

   (ii) Mr. Tsang Chung Yu.

   (b) To authorise the Board of Directors to fix the remuneration of director.

2. To consider and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:–

ORDINARY RESOLUTIONS

"**THAT** subject to and conditional upon the Listing Committee of the Stock Exchange of Hong Kong Limited granting approval for the listing of and permission to deal in the ordinary shares in the share capital of the Company (the "**Shares**") to be issued upon the exercise of the conversion rights attaching to the Convertible Notes (as defined in the circular dated 30 September 2008):–

(a) the entering into of the Acquisition Agreement (as defined in the circular dated 30 September 2008) between the Company and Blackpool Stadium Limited, and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed;

(b) the terms and conditions of the Convertible Notes be and are hereby approved; and

(c) the directors of the Company be and are hereby authorised to (i) issue the Convertible Notes; (ii) issue and allot to the holders of the Convertible Notes upon the due exercise of the conversion rights attaching to the Convertible Notes the appropriate number of new Shares; and (iii) do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution."

By the order of the Board
Tan Sim Chew
Chairman

Hong Kong, 30 September 2008

* *For identification purpose only*

Registered Office:
Ugland House
South Church Street, P.O. Box 309
George Town, Grand Cayman
Cayman Islands
British West Indies

Principal place of business in Hong Kong:
23rd Floor
Sing Ho Finance Building
166-168 Gloucester Road
Wan Chai
Hong Kong

Notes:

1. A proxy form for use at the meeting is enclosed.

2. Any shareholder of the Company ("**Shareholder**") entitled to attend and vote at the meeting of the Company shall be entitled to appoint one or more proxies to attend and vote instead of him.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

4. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person. In such event, his form of proxy will be deemed to have been revoked.

5. A proxy need not be a Shareholder. A Shareholder may appoint a proxy in respect of part of his holding of shares in the Company.

6. In the case of joint holders of a share in the Company if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.