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**BENEFUN INTERNATIONAL HOLDINGS LIMITED**

**奮發國際控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1130)**

**DISCLOSEABLE TRANSACTIONS: DISPOSAL OF PROPERTY**

**Financial Adviser**



**Karl Thomson Financial Advisory Limited**

**DISCLOSEABLE TRANSACTION**

The Board wishes to announce that on 21 May 2009, Fun (Xiamen), an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which Fun (Xiamen) agreed to sell and the Purchaser agreed to purchase the Property for a total consideration of HK\$50 million. On the same date, the Company and the Purchaser entered into the Settlement Deed in which the Purchaser irrevocably agreed that part of the outstanding amount of the Promissory Note amounted to HK\$50 million would be settled by sale of the Property to the Purchaser.

The Disposal constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirement under the Listing Rules.

**BACKGROUND**

**I. Operation of the Group**

The principal activities of the Group had been manufacturing, retailing, distribution of apparel, property development for sale and property investment. Foreseeing the increasing competitiveness and volatility in the fashion retail market, the management decided to scale down the business arm gradually and focus on property development and property investment.

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\* *For identification purpose only*

## **II. The Acquisition**

On 24 June 2008, the Company entered into an acquisition agreement with Blackpool to acquire the entire issued share capital of Ample Rich which through its subsidiaries, engaged in the business of plantation, research and development on related plantation technologies, manufacture, sale and distribution of plantation products in the PRC. The consideration of the acquisition in the sum of HK\$500 million was fulfilled by (i) a deposit of HK\$100 million to Blackpool by issuing a promissory note and (ii) issuance of a convertible bond amounted to HK\$400 million at a conversion price of HK\$0.064 per conversion share. Detailed information on the Acquisition was disclosed in the announcement and the circular of the Company dated 4 July 2008 and 30 September 2008 respectively.

Since the completion of the Acquisition in late 2008, the Company has tapped into the business of plantation. The principal businesses of the Group are now ecological plantation, manufacture and sale of plantation materials and products and “Waste-To-Value” environmental business, property rental, property development and apparel retailing.

## **III. The Promissory Note**

On 24 June 2008, the Promissory Note was issued by the Company to Blackpool. In late 2008, the Company was informed by Headfame, a company principally engaged in property investment, that the ownership of the Promissory Note was transferred and it had become the new holder of the Promissory Note. During the period from November to December 2008, the Company had made repayment to Headfame by installments totaling a face value of HK\$43 million of the Promissory Note. On the day immediately preceding the completion of the Disposal, the Promissory Note carried an outstanding balance of HK\$57 million.

## **THE DISPOSAL**

On 21 May 2009, Fun (Xiamen), an indirect wholly owned subsidiary of the Company and Headfame entered into the Sale and Purchase Agreement pursuant to which Fun (Xiamen) agreed to sell and the Purchaser agreed to purchase the Property for a total consideration of HK\$50 million. A summary on the Sale and Purchase Agreement is set out as below.

### **I. The Sales and Purchase Agreement**

- Date : 21 May 2009
- Purchaser : Headfame , also the holder of the Promissory Note
- Vendor : Fun (Xiamen), an indirect wholly owned subsidiary of the Company
- Property : the land and properties erected thereon at 1-18 Xinhe Industrial Park, Dianqian, Huli, Xiamen City, Fujian Province, the PRC
- Consideration : HK\$50 million, to be settled by way of settling part of the outstanding Promissory Note

The Consideration was arrived at after arm's length negotiation between the parties with reference to, among other things, the historical rental incomes and the market value of the Property as of 18 May 2009 appraised by an independent qualified professional valuer appointed by the Company using market-based approach.

## **II. The Settlement Deed**

On the same date as the Sale and Purchase Agreement, the Company and Headfame entered into the Settlement Deed in which Headfame irrevocably agreed that part of the outstanding amount of the Promissory Note amounted to HK\$50 million would be settled by sale of the Property to the Purchaser. Upon signing of the Settlement Deed, the outstanding face value of the Promissory Note was reduced to HK\$7 million.

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

## **ASSET DISPOSED**

The asset disposed includes a land with a total area of 8,724 square meters and all buildings erected thereon located at 1-18 Xinhe Industrial Park, Dianqian, Huli, Xiamen City, Fujian Province, the PRC.

The Property carried a book value of approximately HK\$55.1 million on the balance sheet of the Company in the interim period ended 31 December 2008. According to a valuation conducted by the independent valuer, the Property carried a market value of RMB40.9 million or approximately HK\$46.5 million as of 18 May 2009. The net income before and after taxation attributable to the Property in the financial year ended 30 June 2008 were approximately HK\$6.8 million and HK\$6.4 million respectively, whereas in the financial year ended 30 June 2007, the net income before and after taxation were HK\$3.4 million and HK\$3.3 million respectively.

The Company shall report a net gain of approximately HK\$17.8 million before taxation on the Disposal in the financial year ending 30 June 2009 after taking into account the revaluation reserve of approximately HK\$22.8 million in the interim period ended 31 December 2008. The amount of the net gain is calculated after deducting from the Consideration the carrying value of the Property and certain selling and legal costs. In the same financial year, the current liability of the Company will decrease by HK\$50 million.

Completion of the Disposal took place on the same day as the date of the Sale and Purchase Agreement and the Settlement Deed.

## **REASONS FOR THE DISPOSAL**

The principal business of the Company is investment holding. The principal activities of its subsidiaries are ecological plantation, manufacture and sale of plantation materials and products and "Waste-To-Value" environmental business, property development for sale and property investment, and apparel retailing.

The Property used to be a self-occupied manufacturing site for the production of apparel products to be sold in the retail stores of Fun (Xiamen). As a result of the business retrenchment, the Group no longer self-manufacture apparel products. Instead, the Company outsources all production orders to external factories. Thus a major part of the Property has been leased out to generate rental incomes. The Disposal provides a good opportunity for the Group to realize a capital gain and at the same time, enhance its financial position by repaying a significant portion of the outstanding Promissory Note which otherwise, would be repaid in cash. Settlement of the Promissory Note not only relieves the debt burden of the Company, but also provides more resources for the future business if and when the opportunity arises. Moreover, the Consideration represents a premium of approximately 7.63% over the market value of the Property, which is again in favor of the Company and the Shareholders.

The Board believes that the terms of the Sale and Purchase Agreement and the Settlement Deed are fair and reasonable and in the interest of the Shareholders as a whole.

## **GENERAL**

The Disposal constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirement under the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

“Acquisition”	the acquisition by the Company from Blackpool of the entire shareholding interest in Ample Rich
“Ample Rich”	Ample Rich Enterprises Limited, a company incorporated in the British Virgin Islands on 13 July 2007
“Blackpool”	Blackpool Stadium Limited, a company incorporated in the British Virgin Islands on 3 January 2008, being the vendor of the Acquisition
“Board”	the board of Directors of the Company
“Company”	Benefun International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Consideration”	consideration for the Disposal, being in total of HK\$50 million
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Property by Fun (Xiamen) pursuant to the

## Sale and Purchase Agreement

“Fun (Xiamen)”	Fun (Xiamen) Enterprises Corporation Limited, a wholly foreign owned enterprises established in the PRC and an indirect wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Headfame” or “Purchaser”	Headfame International Limited, a company incorporated in the British Virgin Islands on 21 May 2008
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Promissory Note”	the non-interest bearing promissory note executed by the Company on 24 June 2008, pursuant to which the Company promised to pay Blackpool the sum of HK\$100 million
“Property”	all those pieces or parcels of lands and the buildings thereon situated at and known as 1-18 Xinhe Industrial Park, Dianqian, Huli, Xiamen City, Fujian Province, the PRC (中國福建省廈門市湖里區殿前新禾工業園 1-18 號) owns by Fun (Xiamen)
“Sale and Purchase Agreement”	the agreement entered into between Headfame and Fun (Xiamen) on 21 May 2009 in relation to the Disposal
“Settlement Deed”	the deed of settlement entered into between Headfame and the Company dated 21 May 2009
“Share(s)”	ordinary share(s) of HK\$0.01 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renmibi, the lawful currency of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

*For illustration purpose only, an exchange rate of RMB0.8804 per HK\$ is adopted in this announcement.*

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

Hong Kong, 21 May 2009

*As at the date of this announcement, the executive Directors are Mr. Tan Sim Chew, Mr. Lo King Fat, Lawrence, Mr. Leung Kwong Choi and Mr. Kwok Wai, Wilfred; and the independent non-executive Directors are Mr. Cheung Ngai Lam, Mr. Christopher David Thomas, Mr. Li Chun Ming, Raymond and Mr. Wong Kwai Sang .*