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LANDUNE 藍頓國際
LANDUNE INTERNATIONAL LIMITED
藍頓國際有限公司

(Incorporated and existing under the laws of Hong Kong with limited liability)
(Stock Code: 245)

**CONNECTED TRANSACTIONS IN RELATION TO
THE GROUP'S
ENGAGEMENT IN THE RETAIL AND
TELEVISION SHOPPING BUSINESS IN THE PRC**

Financial Adviser

COMMERZBANK 
Commerzbank AG Hong Kong Branch

The Board is pleased to announce that by entering into the Structured Contracts on 31 August 2006, the Company, through Fuzhou Landun, an indirect non wholly-owned subsidiary of the Company, has expanded into the business of retailing and television shopping of consumer products in the PRC. Details of the Structured Contracts are summarised as follows:

- (i) the Management and Technology Service Agreement entered into between Fuzhou Landun, Mr. Zhao and Seven Star (Shanghai) for, among other matters,
 - the provision of management and technology services by Fuzhou Landun to Seven Star (Shanghai);
 - the nomination of all of the three directors by Fuzhou Landun to the board of directors of Seven Star (Shanghai); and
 - Fuzhou Landun's right to receive a service fee from Seven Star (Shanghai) which is equal to its net profit;
- (ii) the Loan Agreement entered into between Fuzhou Landun as lender and Mr. Zhao as borrower for Mr. Zhao to borrow an interest-free loan of RMB5.6 million (equivalent to approximately HK\$5.4 million) from Fuzhou Landun;
- (iii) the On-lending Agreement entered into between Mr. Zhao as lender and Seven Star (Shanghai) as borrower for an interest-free loan of RMB5.6 million (equivalent to approximately HK\$5.4 million) to enable Mr. Zhao to on-lend the loan from Fuzhou Landun to Seven Star (Shanghai) as working capital;
- (iv) the Equity Pledge Agreement entered into among Fuzhou Landun, Mr. Zhao and Seven Star (Shanghai), for pledging the equity interest of Mr. Zhao in Seven Star (Shanghai), representing the entire registered capital of Seven Star (Shanghai) to Fuzhou Landun as a security for the payment obligation of Seven Star (Shanghai) to Fuzhou Landun under the Management and Technology Service Agreement; the repayment of the loan by Mr. Zhao to Fuzhou Landun under the Loan Agreement; as well as to assign the shareholder's rights of Mr. Zhao to Fuzhou Landun during the pledging period under the Loan Agreement; and
- (v) the Non-competition Deed entered into among Mr. Ni, Mr. Wang and Fuzhou Landun pursuant to which Mr. Ni and Mr. Wang undertake not to compete with Fuzhou Landun and grant to Fuzhou Landun a first right of refusal to take up any new business opportunities encountered by any of them.

The Directors (including the independent non executive Directors) are of the view that the entering into the Structured Contracts is beneficial to and in the interests of the Company and the Shareholders as a whole.

The Group also intends to conduct the retail, wholesale and television shopping business using the Seven Star Trademark and has therefore concluded a trademark licensing arrangement on 31 August 2006 under which World Bond licensed the Seven Star Trademark to Fuzhou Landun (under the Trademark Licensing Agreement), and Fuzhou Landun in turn sub-licensed the Seven Star Trademark to Seven Star (Shanghai) (under the Trademark Sub-licensing Agreement) for the ultimate granting of the right to Seven Star (Shanghai) and its respective PRC subsidiaries to use the Seven Star Trademark for a term of three years from 1 September 2006 which is renewable for another two years at the discretion of Fuzhou Landun; or until the termination of the Management and Technology Services Agreement, whichever is earlier, at nil consideration.

IMPLICATION OF THE LISTING RULES

Mr. Ni, being a Director and a substantial Shareholder, who in aggregate, is interested in 48.7% of the issued share capital of the Company, is a connected person of the Company under Chapter 14A of the Listing Rules. Similarly, Mr. Wang, being a substantial shareholder who, in aggregate, is interested in 48.7% of the issued share capital of the Company, is also a connected person of the Company under Chapter 14A of the Listing Rules.

Mr. Ni transferred his 80% equity interest in the registered capital of Seven Star (Shanghai) to Mr. Zhao on 30 August 2006 and Mr. Zhao has become the sole shareholder of Seven Star (Shanghai). Mr. Zhao is deemed to be a connected person of the Company in respect of the Structured Contracts under Rule 14A.11(4)(a) of the Listing Rules. Accordingly, by virtue of Mr. Zhao's 100% equity interest in Seven Star (Shanghai), Seven Star (Shanghai) is considered a connected person of the Company under Chapter 14A of the Listing Rules. Hence, the transactions contemplated under the Structured Contracts (except for the On-lending Agreement) constitute connected transactions under Chapter 14A of the Listing Rules.

Given the fact that the loan granted under the Loan Agreement is less than HK\$10 million and the relevant percentage ratios (as defined under the Listing Rules) are less than 25%, the transactions under the Loan Agreement is only subject to the announcement and reporting requirements under Rule 14A.32 of the Listing Rules.

Under the Management and Technology Service Agreement, Fuzhou Landun will have full management control over Seven Star (Shanghai)'s business and operations, according to HKAS 27 "Consolidation and Separate Financial Statements", the full financial results of Seven Star (Shanghai) will be consolidated into the financial statements of Fuzhou Landun (and subsequently, into the Company's financial results) and Seven Star (Shanghai) will be treated as if it were a subsidiary of Fuzhou Landun. As such, the entering into the Structured Contracts will give the same effect as acquiring Seven Star (Shanghai) by Fuzhou Landun at a consideration equivalent to the loan amount of RMB5.6 million (equivalent to approximately HK\$5.4 million) under the Loan Agreement and the acquisition would constitute a connected transaction. As the consideration is less than HK\$10 million and the relevant percentage ratios (as defined under the Listing Rules) in relation to this acquisition are less than 25%, therefore, the acquisition is only subject to announcement and reporting requirements under Rule 14A.32 of the Listing Rules.

By virtue of Mr. Ni and Mr. Wang who, respectively hold 60% and 40% in the issued share capital of World Bond, World Bond is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Trademark Licence Agreement and the Trademark Sub-licensing Agreement are connected transactions. Since World Bond has granted the right to use and/or sub-licence the Seven Star Trademark to Fuzhou Landun at nil consideration, and Fuzhou Landun has in turn granted the right to use the Seven Star Trademark to Seven Star (Shanghai) at nil consideration, these transactions are de minimis transactions under Rule 14A.31 of the Listing Rules and are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Fuzhou Landun, a wholly foreign owned enterprise incorporated in the PRC, is principally engaged in the manufacture and distribution of self-produced health food and cosmetic products in the PRC.

Seven Star (Shanghai) is a company incorporated in the PRC in 1998 with limited liabilities and its registered capital is wholly-owned by Mr. Zhao. Its business scope includes, among other things, the retailing and whole-selling of consumers products as well as television shopping in the PRC. Television shopping generally refers to the sale of products by way of television as the media to exhibit the goods for the purpose of attracting potential customers to order the goods through telephone as advertised in the television. However, Seven Star (Shanghai) has not conducted any business activities except for being in the process of establishing certain subsidiaries for co-operating with the Group to carry out the business of retailing and television shopping of consumer products. Based on the unaudited management accounts prepared by Seven Star (Shanghai), the net assets of Seven Star (Shanghai) amounted to approximately RMB5.5 million (equivalent to approximately HK\$5.3 million) as at 30 June 2006. The audited financial statements of Seven Star (Shanghai) prepared under the PRC accounting standards did not record any revenue or expenses for the year ended 31 December 2004 and had a net loss of approximately RMB0.3 million (equivalent to approximately HK\$0.3 million) for the year ended 31 December 2005.

By entering into the Structure Contracts on 31 August 2006, the Group will, through Fuzhou Landun, indirectly engage in the business of retailing and whole-selling of consumer products, as well as television shopping in the PRC with Seven Star (Shanghai). The Group also intends to conduct the above new business activities using the Seven Star Trademark through the arrangement under the Trademark Licensing Agreement and the Trademark Sub-licensing Agreement. The Seven Star Trademark has been used and promoted in the area of retailing and whole-selling sector in the PRC, in particular, Hebei, Zhejiang, Hunan, Gansu and Sichuan Provinces, for over ten years. The goods that are exhibited in advertisements under the Seven Star Trademark include cosmetic and health products as well as electronic and household goods. By granting the right to use and/or sub-license the Seven Star Trademark to Fuzhou Landun and Seven Star (Shanghai) directly and indirectly by World Bond under the Trademark Licensing Agreement and the Trademark Sub-licensing Agreement, the Directors are of the view that the Seven Star Trademark will provide a platform for the Group's retail and television shopping business in the PRC.

It is the intention of Seven Star (Shanghai) that it will hold interest in a number of PRC companies already established or to be established in various major cities in the PRC, including, but not limited to, Beijing, Fuzhou, Changsha, Sichuan, Chongqing and Guangzhou to conduct the retail and television shopping business. As at the date of this announcement, the respective subsidiaries in Beijing, Fuzhou and Chongqing have been established and other PRC subsidiaries are in the process of being established.

BACKGROUND OF THE STRUCTURED CONTRACTS

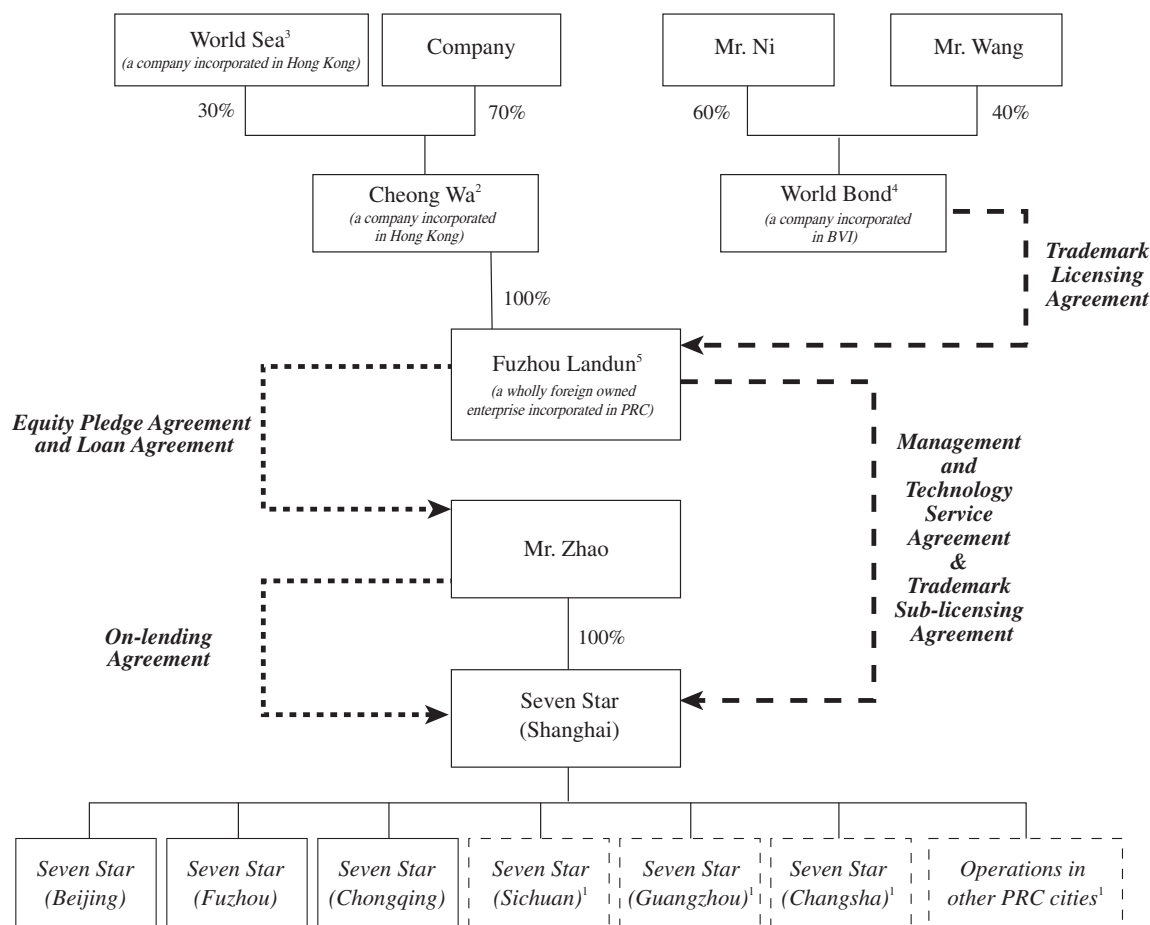
The principal purpose for the Group to enter into the Structure Contracts is to allow the Group to indirectly engage in the business of retailing and whole-selling of consumer products, as well as television shopping in the PRC through Seven Star (Shanghai). Under these Structured Contracts, the Group will have full control over the business and operations of Seven Star (Shanghai) to ensure the economic benefit of Seven Star (Shanghai) arisen from its future operations will flow to Fuzhou Landun as well as to secure the right to acquire the equity interest in Seven Star (Shanghai) as and when needed.

Based on Mr. Ni's over ten years of experience in prospecting, procuring and packaging products distributed in retail networks and media shopping platforms in the PRC, the Directors are of the view that competition in the retail industry, in particular, the emerging television shopping business in the PRC would become much more intensified. The Directors have also noted that other major players in the PRC's television shopping industry are either with strong financial backup or are in the course of raising additional external funds. Therefore, it is expected that these competitors will soon be expanding their market shares aggressively. As such, the management of the Group believes that the sooner the Group can enter into the PRC retail and television shopping market to build up a strong foothold against other market players, the more likely this new operation will be successful and profitable. The execution of the Structured Contracts will enable the Group to indirectly engage in the retail and television shopping market in the PRC in the fastest possible manner. The Directors (including the independent non-executive Directors) are of the view that the entering into the Structured Contracts with the relevant parties is beneficial to and in the interest of the Company and the Shareholders as a whole. The Company's PRC legal advisers have also confirmed that the entering into the Structured Contracts (other than the Non-Competition Deed which is governed by the Hong Kong laws) are in compliance with the applicable PRC laws and regulations.

Mr. Zhao has undertaken to Fuzhou Landun that he would indemnify Fuzhou Landun against (i) any non-operating losses (including but not limited to contingent liabilities) caused by the business operations of Seven Star (Shanghai) prior to 31 August 2006, which is the date that the relevant Structured Contracts were entered into and (ii) any shortfall for the net asset value of Seven Star (Shanghai) if it fell below zero on 31 August 2006.

EFFECT ON THE IMPLEMENTATION OF THE STRUCTURED CONTRACTS AND THE TRADEMARK LICENSING ARRANGEMENT

The following diagram illustrates the corporate structure of the Group after the implementation of the relevant contracts:



Notes

1. Companies or operations to be incorporated or established.
2. Cheong Wa is an investment holding company incorporated in Hong Kong and is owned as to 70% by the Company and as to 30% by World Sea Limited ("World Sea").
3. World Sea is a company incorporated in Hong Kong and is wholly-owned by Ms. Zhu Zhi Hua. To the best of the Directors' knowledge and belief, and having made all reasonable enquiries, Ms. Zhu is an independent third party and not connected to the Company's shareholders, directors and their respective associates (as defined under the Listing Rules).
4. World Bond is a company incorporated in the BVI and is owned as to 60% by Mr. Ni and as to 40% by Mr. Wang. World Bond is principally engaged in investment holding and is the owner of the Seven Star Trademark.
5. Fuzhou Landun is a wholly foreign owned enterprise incorporated in the PRC and is engaged in the manufacture and distribution of health food and cosmetic products.

SALIENT TERMS OF THE STRUCTURED CONTRACTS

The Management and Technology Service Agreement

Date of agreement

31 August 2006

Parties to the Agreement:

1. Fuzhou Landun
2. Seven Star (Shanghai)
3. Mr. Zhao

The Management and Technology Service Agreement will have a term identical to the remaining operating period of the business license of Fuzhou Landun, which is up to 12 May 2019 if not extended by that time, and pursuant to which, Fuzhou Landun will provide, among others, the following business and management services to Seven Star (Shanghai) in support of its operation in retail and television shopping business in the PRC:

- provision of advice on the establishment of internal departments and workflow;
- provision of support for the internal control and compliance procedures;
- provision of advice and technical support on administration, human resources and financial management;
- provision of technical support and services for sales and marketing;
- provision of technical support on corporate governance and business management;
- provision of technical support and services for research and development;
- provision of technical services for customers' service;
- provision of technical support and services for technical aspects of business; and
- provision of technical support and advice on internal policies and regulations and formulation of long term corporate governance structure.

In return for the provision of the above services to Seven Star (Shanghai), Fuzhou Landun is entitled to receive a service fee equivalent to the net profit of Seven Star (Shanghai). The Management and Technology Service Agreement is solely terminable by Fuzhou Landun but not by Seven Star (Shanghai) or its shareholder, namely Mr. Zhao. It is expected that Mr. Ni's experience in the television shopping business in the PRC will, through Fuzhou Landun, be able to contribute to the daily operations of Seven Star (Shanghai).

Fuzhou Landun is entitled to appoint all the three directors to the board of directors of Seven Star (Shanghai) and has the absolute management right over Seven Star (Shanghai). Mr. Zhao, being the sole shareholder of Seven Star (Shanghai), undertakes not to change the number of directors of Seven Star (Shanghai). It is the present intention of Fuzhou Landun that the existing composition of the board of directors of Seven Star (Shanghai) will be removed and re-appointed by Fuzhou Landun pursuant to the Management and Technology Service Agreement.

The arrangement contemplated under the Management and Technology Service Agreement provides Fuzhou Landun with full control over the business and operations of Seven Star (Shanghai) and, accordingly, Seven Star (Shanghai) will be treated as if it were a subsidiary of Fuzhou Landun based on HKAS 27 "Consolidation and Separate Financial Statements" and its full financial results will be consolidated into the Fuzhou Landun's financial statements (and subsequently, into the Company's consolidated financial results). The auditors to the Company have confirmed that the above accounting treatments are in compliance with HKAS provided that the relevant requirements under HKAS 27 are satisfied including, but not limited to, the demonstration of management control over Seven Star (Shanghai) by Fuzhou Landun in practice. Fuzhou Landun will also be entitled to receive service fees (which are equal to Seven Star (Shanghai)'s net profit) from Seven Star (Shanghai). As such, the flowing of all the economic benefit of Seven Star (Shanghai) derived from its operations to Fuzhou Landun is ensured.

The Loan Agreement and the On-lending Agreement

The purpose of the Loan Agreement and the On-lending Agreement, taken as a whole, is to allow Fuzhou Landun to provide Seven Star (Shanghai) with the necessary working capital to conduct its retail and television shopping business in the PRC. Such loan flow arrangement is necessary because the Company's PRC legal advisers have advised that the PRC laws do not permit non-financial institutes to grant any loan to other corporate entities in the PRC while loans made by non-financial institutes to individuals and vice versa are permitted.

Set out below are the details of the Loan Agreement and the On-lending Agreement:

Date of the Loan Agreement

31 August 2006

Parties to the Loan Agreement:

1. Fuzhou Landun as lender
2. Mr. Zhao as borrower

Loan amount under the Loan Agreement

RMB5.6 million

According to the Loan Agreement, the loan amount shall be solely used for the operations of Seven Star (Shanghai) and/or its subsidiaries to conduct the television shopping business in the PRC. This loan is interest free and is repayable upon the termination of the Management and Technology Service Agreement or within seven days upon receipt of Fuzhou Landun's repayment notice. Mr. Zhao has no right to effect an early repayment unless and until Fuzhou Landun demands repayment or upon the termination of the Management and Technology Service Agreement, whichever is earlier.

Unless Mr. Zhao repays the loan in full, the Loan Agreement is not terminable.

Date of the On-lending Agreement

31 August 2006

Parties to the On-Lending Agreement:

1. Mr. Zhao
2. Seven Star (Shanghai)

Loan amount under the On-lending Agreement

RMB5.6 million

Pursuant to the On-lending Agreement, the loan in the sum of RMB5.6 million (equivalently to approximately HK\$5.4 million) will be advanced by Mr. Zhao to Seven Star (Shanghai). The loan will be interest-free and repayable upon the termination of the Management and Technology Service Agreement or with the consent from Fuzhou Landun, whichever is earlier. Repayment of the loan is not secured.

Since the full financial results of Seven Star (Shanghai) will be consolidated in the financial statements of Fuzhou Landun (and subsequently to the Company's consolidated financial results), the loan under the Loan Agreement and the On-lending Agreement is regarded as a fund transfer between a subsidiary and its holding company, and whether the loan is interest free or not will have no impact on the consolidated financial statements of Fuzhou Landun (hence the Company's consolidated financial statements). In addition, Mr. Zhao would not be able to receive any economic benefit from the transactions under the Loan Agreement and the On-lending Agreement. Based on the above, the Directors considered that the terms under the Loan Agreement and the On-lending Agreement are on normal commercial terms and are in the interest of the Company and its Shareholders.

The Equity Pledge Agreement

Date of agreement

31 August 2006

Parties to the agreement:

1. Fuzhou Landun as pledgee
2. Mr. Zhao as pledger
3. Seven Star (Shanghai)

Assets pledged

The 100% equity interest in the registered capital of Seven Star (Shanghai) owned by Mr. Zhao

Under the Equity Pledge Agreement, Mr. Zhao has pledged his entire equity interest in the registered capital of Seven Star (Shanghai) to Fuzhou Landun as security for the payment obligation of Seven Star (Shanghai) to Fuzhou Landun under the Management and Technology Service Agreement and the repayment of the loan in the sum of RMB5.6 million (equivalent to approximately HK\$5.4 million) by Mr. Zhao under the Loan Agreement. The Equity Pledge Agreement shall remain in force until two years after both the Loan Agreement and the Management and Technology Service Agreement are terminated.

If Mr. Zhao defaults on repayment of the above-mentioned loan upon Fuzhou Landun's issuance of a loan repayment demand note in accordance with the Loan Agreement, or if Seven Star (Shanghai) fails to pay Fuzhou Landun the relevant service fee under the Management and Technology Service Agreement, Fuzhou Landun will have the right to acquire Mr. Zhao's entire shareholding in Seven Star (Shanghai) by reference to the then valuation of the net assets of Seven Star (Shanghai). Mr. Zhao will receive the surplus amount in cash if the valuation of the net assets value exceeds the outstanding amount.

Depending on the size of the consideration and the market capitalisation as well as other relevant financial results of the Company at the time when Fuzhou Landun acquires the equity interest in the registered capital of Seven Star (Shanghai), such acquisition may constitute a notifiable transaction under Chapter 14 of the Listing Rules. The Company will ensure proper compliance with the Listing Rules in relation to the said acquisition.

Among others, Mr. Zhao warrants that he has the legal title to the pledged equity and undertakes not to dispose of the pledged equity or re-pledge the pledged equity to other parties. Seven Star (Shanghai), being a party to the Equity Pledge Agreement, guarantees that it shall abide by the laws of the PRC and undertakes not to distribute to Mr. Zhao any money, dividends, interests and/or benefits.

The Non-competition Deed

Date of the Deed

31 August 2006

Parties to the deed

1. Mr. Ni
2. Mr. Wang
3. Fuzhou Landun

Pursuant to the Non-competition Deed, Mr. Ni and Mr. Wang have undertaken to Fuzhou Landun that each of their subsidiaries and associate companies, save for the Company or any members of the Group, will not invest in or engage in retail and television shopping or any other similar businesses, except through Fuzhou Landun and/or Seven Star (Shanghai), and that where there are any new opportunities arising in the PRC to invest in or engage in the retail, wholesale and television shopping or other similar businesses, Fuzhou Landun will have a first right of refusal to take up such opportunities at nil consideration.

The Non-competition Deed will be terminated upon the occurrence of any of the following events:

1. The shareholding of the Group in Fuzhou Landun has fallen below 5%;
2. the Group is ceased to engage in television shopping business in PRC;
3. the Management and Technology Service Agreement is terminated;
4. the Company is in the process being wound-up; or
5. Fuzhou Landun is being dissolved under the order granted by any PRC civil court.

The non-competition undertaking in respect of each of the relevant parties will also be terminated twelve months after the occurrence of the following events:

1. Mr. Ni holds less than 10% of the issued share capital in the Company and is ceased to be a director of both the Company and Fuzhou Landun; or
2. Mr. Wang holds less than 10% of the issued share capital in the Company and is ceased to be a director of both the Company and Fuzhou Landun.

The Directors (including the independent non executive Directors) are of the view that the entering into the Structured Contracts is beneficial to and in the interests of the Company and the Shareholders as a whole.

SALIENT TERMS OF THE TRADEMARK LICENSING ARRANGEMENT

The purpose of the licensing arrangement of the Seven Star Trademark by World Bond to Fuzhou Landun (under the Trademark Licensing Agreement) and by Fuzhou Landun to Seven Star (Shanghai) (under the Trademark Sub-licensing Agreement) is to allow Fuzhou Landun to sub-license to Seven Star (Shanghai) to use and/or to sub-license to their respective PRC subsidiaries to use the Seven Star Trademark for conducting their business.

Set out below are details of the Trademark Licensing Agreement and the Trademark Sub-licensing Agreement:

Date of Trademark Licensing Agreement

31 August 2006

Parties to the Trademark Licensing Agreement

1. World Bond as licensor
2. Fuzhou Landun as licensee

Trademark

The Seven Star Trademark

Summary of the terms of the Trademark Licensing Agreement

Under the Trademark Licensing Agreement, World Bond has granted to Fuzhou Landun an exclusive right, at nil consideration, to use and sub-license the Seven Star Trademark to any of its controlled entities to use and/or to further sub-license the Seven Star Trademark to their subsidiaries for a term of three years commencing from 1 September 2006 and renewable for another two years at the discretion of Fuzhou Landun.

Date of the Trademark Sub-licensing Agreement
31 August 2006

Parties to the Trademark Sub-licensing Agreement

1. Fuzhou Landun
2. Seven Star (Shanghai)

Summary of the terms of the Trademark Sub-licensing Agreement

Under the Trademark Sub-Licensing Agreement, Fuzhou Landun has granted to Seven Star (Shanghai) and its subsidiaries, at nil consideration, to use the Seven Star Trademark for a term of three years commencing from 1 September 2006 and renewable for another two years at the discretion of Fuzhou Landun or until the termination of the Management and Technology Services Agreement, whichever is earlier.

The Directors (including the independent non-executive Directors) considered that the terms under both the Trademark Licensing Agreement and the Trademark Sub-licensing Agreement are favourable to the Group and then are under normal commercial terms (as defined under the Listing Rules) and are beneficial to the Company and the Shareholders as a whole.

REASONS FOR THE GROUP'S EXPANSION IN THE PRC RETAIL BUSINESS

The principal business activities of the Group comprise (i) property holding, investment and re-development in Hong Kong; (ii) manufacture and distribution of cosmetic and health products in the PRC; and (iii) retail and distribution of consumer product and the provision of media management services in the PRC.

Decline in the Group's core businesses in property investment

For the year ended 31 December 2005, the segmental results of the property investment segment have decreased from a profit of HK\$140.7 million for the year ended 31 December 2004 to a loss of HK\$5.0 million.

Growth in the Group's retail and media management business

As disclosed in the Company's 2005 annual report the segmental results of the Group's retail and media management business segment have recorded revenue of approximately HK\$12.9 million and net profit of HK\$5.9 million for the two months ended 31 December 2005.

Prospects of PRC's television shopping business in the PRC

The Directors consider that the Group's business in property investment will continue to decline and, in order to broaden the Group's revenue and customer base, it is the intention of the Group to place more emphasis on the development of the retail and whole-sale business in the PRC. The Directors have noted the growing popularity of the television shopping business in the PRC. According to Asia Pacific Television Shopping Information Net (亞太電視購物信息網), the total turnover from television shopping business accounted for less than 1% of the PRC's retail industry's total revenue in 2003, representing a much lower market penetration than those of the developed countries, such as the United States of America, whose television shopping business accounted for approximately 8% of the total revenue of the retail industry in 2003. In addition, according to the China Statistical Yearbook 2005, the PRC's GDP has increased rapidly from approximately RMB88.3 billion (equivalent to approximately HK\$84.9 billion) in 2000 to approximately RMB136.6 billion (equivalent to approximately HK\$131.3 billion), representing a compounded annual growth rate of approximately 12%. During the same period, the GDP per capita in the PRC also increased significantly from approximately RMB6,963 (equivalent to approximately HK\$6,695) in 2000 to approximately RMB10,507 (equivalent to approximately HK\$10,103) in 2004, representing a compounded annual growth rate of approximately 11%. With reference to the penetration rate of television shopping in those developed countries, the growth in the general economic condition in the PRC and the relatively low penetration rate of the PRC's television shopping sector at present, the Directors consider that the popularity of television shopping would grow rapidly in the PRC and provide new growth drivers to the Group.

With Mr. Ni's over ten years of business experience in the retail and product procurement and packaging in the television shopping industry and the Seven Star Trademark contributed from World Bond, the Directors consider that the future operations of Fuzhou Landun will be strengthened, which will not only bring new business opportunities to the Group, but will also broaden its revenue base.

IMPLICATIONS OF THE LISTING RULES

Mr. Ni, being a Director and a substantial Shareholder, who in aggregate, is interested in 48.7% of the issued share capital of the Company, is a connected person of the Company under Chapter 14A of the Listing Rules. Similarly, Mr. Wang, being a substantial shareholder who, in aggregate is interested in 48.7% of the issued share capital of the Company, is also a connected person of the Company under Chapter 14A of the Listing Rules.

Mr. Ni transferred his 80% equity interest in the registered capital of Seven Star (Shanghai) to Mr. Zhao on 30 August 2006, and Mr. Zhao has become the sole shareholder of Seven Star (Shanghai). Mr. Zhao is deemed to be a connected person of the Company in respect of the Structured Contracts under Rule 14A.11(4)(a) of the Listing Rules. Accordingly, by virtue of Mr. Zhao's 100% equity interest in Seven Star (Shanghai), Seven Star (Shanghai) is considered a connected person of the Company under Chapter 14A of the Listing Rules. Hence, the transactions contemplated under the Structured Contracts (except for the On-lending Agreement) constitute connected transactions under Chapter 14A of the Listing Rules.

Given the fact that the loan granted under the Loan Agreement is less than HK\$10 million and the relevant percentage ratios (as defined under the Listing Rules) are less than 25%, the transaction under the Loan Agreement is only subject to the announcement and reporting requirements under Rule 14A.32 of the Listing Rules.

Under the Management and Technology Service Agreement, Fuzhou Landun will have the full management control over Seven Star (Shanghai)'s business and operations, and according to HKAS 27 "Consolidation and Separate Financial Statements", the full financial results of Seven Star (Shanghai) will be consolidated into the financial statements of Fuzhou Landun (and subsequently, into the Company's financial results) and Seven Star (Shanghai) will be treated as if it were a subsidiary of Fuzhou Landun. As such, the entering into the Structured Contracts will give the same effect as acquiring Seven Star (Shanghai) by Fuzhou Landun at a consideration equivalent to the loan amount of RMB5.6 million (equivalent to approximately HK\$5.4 million) under the Loan Agreement and the acquisition would constitute a connected transaction. As the consideration is less than HK\$10 million and the relevant percentage ratios (as defined under the Listing Rules) in relation to this acquisition are less than 25%, therefore, the transaction is only subject to announcement and reporting requirements under Rule 14A.32 of the Listing Rules.

By virtue of Mr. Ni and Mr. Wang's respective equity interest of 60% and 40% in the issued share capital of World Bond, World Bond is considered a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Trademark Licensing Agreement and the Trademark Sub-licensing Agreement are therefore connected transactions. Since World Bond has granted the right to use and/or sub-license the Seven Star Trademark to Fuzhou Landun at nil consideration, and Fuzhou Landun has in turn granted the right to use the Seven Star Trademark to Seven Star (Shanghai) at nil consideration, these transaction are de minimis transactions under Rule 14A.31 of the Listing Rules and are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

"Board"	the board of directors of the Company
"BVI"	British Virgin Islands
"Cheong Wa"	Cheong Wa Limited, a company incorporated in Hong Kong with limited liability and a non wholly-owned subsidiary of the Company
"Company"	Landune International Limited, a company incorporated under the laws of Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
"Directors"	the directors of the Company
"Equity Pledge Agreement"	the equity pledge agreement entered into among Fuzhou Landun, Mr. Zhao and Seven Star (Shanghai) for pledging the equity interest of Mr. Zhao in the registered capital of Seven Star (Shanghai) to Fuzhou Landun
"GDP"	gross domestic products
"Group"	the Company and its subsidiaries
"HKAS"	Hong Kong Accounting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Fuzhou Landun"	Fuzhou Landun Science of Life Co., Ltd., a wholly foreign owned enterprise incorporated in the PRC with limited liabilities
"Loan Agreement"	the loan agreement entered into between Mr. Zhao as borrower and Fuzhou Landun as lender for the loan in the sum of RMB5.6 million (equivalent to HK\$5.4 million)

“Management and Technology Service Agreement”	the management and technology service agreement entered into between Fuzhou Landun, Seven Star (Shanghai) and Mr. Zhao in relation to the provision of business management and technology services by Fuzhou Landun to Seven Star (Shanghai)
“Mr. Ni”	Mr. Ni Xinguang* (倪新光), a Director and a substantial Shareholder interested in 48.7% of the issued share capital of the Company
“Mr. Wang”	Mr. Wang Zhiming* (王志明), a substantial Shareholder interested in 48.7% of the issued share capital of the Company
“Mr. Zhao”	Mr. Zhao Lixin* (趙立新), a PRC citizen and is holding approximately 1.18% of the issued share capital of the Company
“Non-competition Deed”	The non-competition deed entered into among Mr. Ni, Mr. Wang and Fuzhou Landun
“On-lending Agreement”	the loan agreement entered into between Mr. Zhao as lender and Seven Star (Shanghai) as borrower for the loan in the sum of RMB5.6 million (equivalent to approximately HK\$5.4 million)
“PRC”	the People Republic of China
“Seven Star (Shanghai)”	Shanghai Seven Star International Shopping Co., Ltd.* (上海七星國際購物有限公司), a company incorporated in the PRC with limited liabilities and wholly-owned by Mr. Zhao
“Seven Star Trademark”	the trademark of “七星購物” registered in PRC under the registration number 3201183
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	the Equity Pledge Agreement, the Loan Agreement, the Management and Technology Service Agreement, the Non-competition Deed and the On-lending Agreement
“Trademark Licensing Agreement”	the trademark licensing agreement entered into between World Bond and Fuzhou Landun for granting the right to Fuzhou Landun to use and/or to sub-license to any of its controlled entities to use the Seven Star Trademark for a term of three years and renewable for another two years at the discretion of Fuzhou Landun
“Trademark Sub-licensing Agreement”	the trademark sub-licensing agreement entered into between Fuzhou Landun and Seven Star (Shanghai) for granting the right to Seven Star (Shanghai) to use and/or to further sub-license to its respective PRC subsidiaries to use the Seven Star Trademark for a term of three years and renewable for another two years at the discretion of Fuzhou Landun or until the termination of the Management and Technology Services Agreement, whichever is earlier
“World Bond”	World Bond Group Limited, a limited liability company incorporated in the BVI and is owned as to 60% by Mr. Ni and as to 40% by Mr. Wang
“HK\$”	Hong Kong dollars
“RMB”	Renminbi
“%”	per cent.

* For identification purposes only

All amounts in RMB have been translated in HK\$ at a rate of RMB1 = HK\$0.96 in this announcement for illustration purpose only.

By Order of the Board
Landune International Limited
Ni Xinguang
Chairman

Hong Kong, 7 September 2006

As at the date of this announcement, the Board comprises Messrs. Ni Xinguang and Ng Chun Chuen, David who are executive Directors and Messrs. Chan Wai Sum, Tang Chi Wing and Lu Wei who are independent non-executive Directors.

Please also refer to the published version of this announcement in The Standard.