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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)

**MAJOR TRANSACTION
AND
RESUMPTION OF TRADING**

On 4th September, 2005, the Company entered into the Acquisition Agreement with the Vendor in relation to the acquisition of the entire issued share capital of Top Pro by the Company. The Consideration will be satisfied by the Cash Consideration, the Deferred Cash Consideration and issue of the Consideration Shares pursuant to the terms of the Acquisition Agreement. Further details of the Acquisition Agreement are set out below.

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. The EGM will be convened and held for the Shareholders to consider and, if consider appropriate, approve the Acquisition Agreement and the transactions contemplated thereunder. A circular containing the notice of the EGM, information on the Acquisition, financial information relating to Top Pro Group and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 5th September, 2005 pending release of this announcement. Application has been made by the Company for resumption of trading in the Shares from 9:30 a.m. on 12th September, 2005.

THE ACQUISITION AGREEMENT DATED 4TH SEPTEMBER, 2005

Parties

Vendor: Mr. Leung Chi Yan (梁志仁), the sole and beneficial owner of Top Pro. To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiry, the Vendor is a third party independent of the Company and its connected persons.

The Company acquainted with the Vendor through previous business dealing.

Purchaser: The Company.

Assets to be acquired

The entire issued share capital of Top Pro. Top Pro is a special purpose vehicle incorporated for the purpose of the Acquisition. Upon Completion, Top Pro will become a wholly-owned subsidiary of the Company. Further information on Top Pro Group are set out in the paragraph headed "Information on Top Pro Group" below.

Consideration

The Consideration will be satisfied by the Cash Consideration, the Deferred Cash Consideration and issue of the Consideration Shares. The Cash Consideration represents upfront payment portion of the Consideration to be settled according to the terms of the Acquisition Agreement. The Deferred Cash Consideration and issue of the Consideration Shares represent the contingent portion of the Consideration which is associated with future financial performance of Top Pro Group. In substance, the Group will only be required to settle the Deferred Cash Consideration and to issue the Consideration Shares if Top Pro Group turns profitable in 2006. In the event that Top Pro Group fails to turn profitable in 2006, the Company's total investment will be limited to the Cash Consideration of HK\$25 million. Set out below are detailed terms of the Cash Consideration, the Deferred Cash Consideration and issue of the Consideration Shares.

Cash Consideration

The Cash Consideration comprises a deposit of HK\$5 million which has been paid on 7th September, 2005 and a remaining balance of HK\$20 million payable upon Completion.

The Cash Consideration is financed by the Standby Loan Facility from Group First Limited, the controlling Shareholder, which holds approximately 53.7% of the total Shares in issue as at the date of this announcement. The Standby Loan Facility is granted to the Company for a maximum of HK\$30 million, bears interest at a rate not higher than the prime rate offered by The Hong Kong and Shanghai Banking Corporation at the respective date of draw-down and is repayable after six months from the respective date of draw-down. No security has been or will be provided by the Group in respect of the Standby Loan Facility.

The Directors consider it difficult for the Group to obtain external financing of HK\$30 million at a rate not higher than the prime rate on an unsecured basis given the Group's net assets position of approximately HK\$13 million as published in the Company's annual report for the year ended 31st December, 2004. Accordingly, the Directors consider the terms of the Standby Loan Facility fair and reasonable.

The Standby Loan Facility is on normal commercial terms or better and no security over the Group's assets is granted to Group First Limited, the provision of the Standby Loan Facility by Group First Limited to the Company is therefore exempt from reporting, announcement and independent shareholders' approval requirement pursuant to Rule 14A.65(4) of the Listing Rules.

Deferred Cash Consideration

The Deferred Cash Consideration, if payable, would be equivalent to the audited consolidated net profit of Top Pro for the first full financial year after Completion, or if Completion takes place after 1st January, 2006, then for the 12 calendar months period immediately after Completion. The maximum amount of the Deferred Cash Consideration, if payable, shall not be more than HK\$50 million. The Deferred Cash Consideration, if payable, would be financed by cash generated from the Group's operation together with, if necessary, proceeds from fund raising exercises and/or bank borrowings.

Consideration Shares

The aggregate value of the Consideration Shares, if required to be issued, would be equivalent to 3 times of the audited consolidated net profit of Top Pro for the first full financial year after Completion or if Completion takes place after 1st January, 2006, then for the 12 calendar months period immediately after Completion. The issue price per Consideration Share would be HK\$0.1025 (being the average closing price of the Share for the last 10 trading days immediately preceding the date of the Acquisition Agreement). The maximum number of the Consideration Shares, however, shall be limited to 1,500,000,000. Based on the issue price of HK\$0.1025 per Consideration Share under the Acquisition Agreement, the 1,500,000,000 Consideration Shares would be valued at HK\$153.75 million. Based on the closing price of HK\$0.11 per Share on the last trading day immediately preceding the date of Acquisition Agreement, the 1,500,000,000 Consideration Shares would be valued at HK\$165 million.

The 1,500,000,000 Consideration Shares represent approximately 40.3% of the total number of Shares in issue as at the date of this announcement and approximately 28.7% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares, assuming the issued share capital of the Company remains unchanged up to and including the date of the issue of the Consideration Shares. The Vendor confirms that upon issue of the Consideration Shares, he will not, together with any person acting in concert with him, hold 30% or more of the total number of Shares then in issue. The Vendor also warrants under the Acquisition Agreement that it is his present intention to hold the Consideration Shares, upon issue, as long-term investment. Upon issue, the Consideration Shares shall rank equally in all respects with the Shares then in issue. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Directors consider that although the issue of the Consideration Shares as part Consideration would potentially dilute existing Shareholders' percentage interest in the Company, the issue of the Consideration Shares, which enables the Group to avoid incurring substantial cash outlay while acquiring a business with high-growth potential, is beneficial to the Company and the Shareholders.

On the assumption that the HK\$50 million Deferred Cash Consideration is to be paid and the 1,500,000,000 Consideration Shares are to be issued at HK\$0.1025 per Consideration Share, the aggregate value of the Consideration would be HK\$228.75 million.

The Deferred Cash Consideration and issue of Consideration Shares at HK\$0.1025 each, in aggregate, represent a 4 times multiple of Shanghai Pei Lian's 2006 earnings. This multiple is reached between the Vendor and the Company after arms' length negotiations after taking into account the high-growth potential of Shanghai Pei Lian as demonstrated in the first half of 2005 and the time value of money that the Company benefits from by deferring the payment of the Consideration.

The payment of the Deferred Cash Consideration and the issue of the Consideration Shares, if required, shall be paid and/or issued to the Vendor within 10 Business Days after the Company having reviewed and satisfied with the audited consolidated financial statements of Top Pro for the first full financial year or the 12 calendar months period, as the case may be, immediately after Completion. Such review and audit should be completed within 120 days after end of the first full financial year or the 12 months calendar period, as the case may be, immediately after Completion.

The Consideration, including the payment structure, has been determined after arms' length negotiations between the Vendor and the Company having taken into account (i) the Group's limited cash reserve of approximately HK\$4.1 million (being the unaudited consolidated balance as at 30th June, 2005); (ii) the business potential and high-growth prospects achieved by Top Pro Group in the first half of 2005; (iii) the continuing economic growth of the PRC; (iv) synergy of Top Pro Group with the existing and future businesses of the Group; and (v) the contingency nature of the Deferred Cash Consideration and the issue of the Consideration Shares which limits the Group's commitment at HK\$25 million and prevents any dilution on percentage interest of the Shareholders unless Top Pro Group turns profitable in 2006. Having considered the above factors and reviewed the business operation and financial information of Top Pro Group, the Board considers that the Consideration is fair and reasonable and it is not necessary to commission an independent valuation on Top Pro Group.

Conditions precedent

Completion is conditional upon fulfilment of the following:

- (i) the Company having completed the due diligence exercise (including but not limited to legal, financial and commercial aspects) on Top Pro Group and the result of which being satisfactory to the Company;
- (ii) all governmental and regulatory approvals required in the PRC to give effect to the acquisition of the entire issued share capital of Shanghai Pei Lian by Smartest and the transformation of Shanghai Pei Lian into a wholly foreign owned enterprise having been obtained provided that no unfavourable and impracticable conditions being imposed on such approval; and accordingly, the Vendor having provided the relevant approval letter(s) and certificate(s);
- (iii) Shanghai Pei Lian having obtained a new business licence upon the change of shareholder to Smartest, and pursuant to the laws of the PRC, having obtained all necessary registrations, filings, approvals, verifications and/or certificates for its operation;
- (iv) the Vendor having provided to the Company a PRC legal opinion (the form and content of which being satisfactory and acceptable to the Company) issued by a qualified legal adviser in the PRC agreeable to the Company certifying (a) that the incorporation, changes (including transformation into a wholly foreign owned enterprise), operations, titles to assets, registrations and other related matters of Shanghai Pei Lian comply with the relevant laws and regulations in the PRC; (b) that the Acquisition complies with the relevant laws and regulations, and (c) any additional legal aspects requested by the Stock Exchange;
- (v) the passing by the Shareholders of resolution(s) approving the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) at a general meeting of the Company; and
- (vi) the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares.

All parties to the Acquisition Agreement shall use their best endeavours to procure the fulfilment of the above conditions on or before 20th December, 2005 (or any other date as the Vendor and the Company may agree in writing). The Company has the right to waive any of the above conditions except for conditions (ii), (v) and (vi).

If any of the above conditions has not been fulfilled or waived by the Company (save for conditions (ii), (v) and (vi) which cannot be waived) on or before 20th December, 2005 or any other date as the Vendor and the Company may agree in writing, the Acquisition Agreement shall lapse and the Vendor shall refund to the Company the HK\$5 million deposit, without interest, within three Business Days from the date of such termination. Save as the above, no party to the Acquisition Agreement shall have any claim against or liability to the other party upon lapse of the Acquisition Agreement except for any antecedent breach of the terms of the Acquisition Agreement.

Completion

Completion shall take place on the fifth Business Day after fulfilment or waiver, as the case may be, of the above conditions.

CHANGES IN SHAREHOLDING STRUCTURE

Given the number of Consideration Shares is yet to be determined as described in the sub-paragraph headed "Consideration Shares" above, the effect of the issue of the Consideration Shares on the shareholding structure of the Company cannot be ascertained at present.

The following table illustrates the possible changes of the Company's shareholding structure as a result of the Acquisition assuming (i) the issued share capital of the Company remains unchanged up to and including the date of issue of the Consideration Shares; and (ii) 1,500,000,000 Consideration Shares, being the maximum number of the Consideration Shares to be issued pursuant to the terms of the Acquisition Agreement, will be issued to the Vendor:

Shareholders	As at the date of this announcement		Immediately after issue of the Consideration Shares	
	No. of Shares	%	No. of Shares	%
Group First Limited and its associates (<i>Note 1</i>)	2,116,560,000	56.9	2,116,560,000	40.5
Ha Shu Tong (<i>Note 2</i>)	2,000,000	0.1	2,000,000	0.1
Ng Chun Chuen, David (<i>Note 3</i>)	30,000,000	0.8	30,000,000	0.6
The Vendor	-	-	1,500,000,000	28.7
Public	1,574,232,000	42.2	1,574,232,000	30.1
	<u>3,722,792,000</u>	<u>100.0</u>	<u>5,222,792,000</u>	<u>100.0</u>

Notes:

1. Of 2,116,560,000 Shares, Group First Limited, a private company beneficially owned as to 60% by Mr. Ni Xinguang ("Mr. Ni") and 40% by Mr. Wang Zhiming ("Mr. Wang"), holds 2,000,000,000 Shares. Mr. Ni, an executive Director, has personal interest in 58,780,000 Shares and Mr. Wang, an executive Director, has personal interest in 57,780,000 Shares.
2. Mr. Ha Shu Tong, an executive Director, has personal interest in 2,000,000 Shares.
3. Mr. Ng Chun Chuen, David, an executive Director, has personal interest in 30,000,000 Shares.

The Directors confirm that the Vendor does not have the right to appoint directors to the Board.

INFORMATION ON TOP PRO GROUP

Top Pro Group comprises Top Pro, Smartest and Shanghai Pei Lian. Top Pro and Smartest are special purpose vehicles incorporated for the purpose of investment in Shanghai Pei Lian. On 11th August 2005, Smartest, as the purchaser, and the former shareholders of Shanghai Pei Lian, as the vendors, entered into a share transfer agreement for the sale and purchase of the entire issued share capital of Shanghai Pei Lian for a consideration of RMB3.3 million (equivalent to approximately HK\$3.2 million). This consideration has not been taken into account by the Company in determining the consideration for the Acquisition. Such transfer has been approved by the relevant local authority in Shanghai and is currently awaiting approval by the relevant state authority.

Shanghai Pei Lian was incorporated in September 2004 under the laws of the PRC with limited liability. It was formerly held equally by two independent third parties. To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiry, these former shareholders of Shanghai Pei Lian are third parties independent of the Company and its connected persons. Shanghai Pei Lian has commenced operation in September 2004 and is principally engaged in sales and distribution of cosmetic products, health food products, educational equipment and other electronic and health appliances in the PRC. The marketing and sale activities of Shanghai Pei Lian is conducted mostly through television and catalogue mailing. Customers across the country place orders through Shanghai Pei Lian's 24-hour call centre located in Shanghai, the PRC. All sales orders will then be processed and delivered to the customers through nation-wide logistic or courier service providers. Shanghai Pei Lian's distance selling business model together with its minimum stock strategy enables Shanghai Pei Lian to modify its product mix quickly to adapt to the fast changing customer's preference and the latest market and product trends.

Based on the audited consolidated financial statements for the four months ended 31st December 2004, Shanghai Pei Lian generated turnover of approximately HK\$8.24 million and incurred loss before taxation of approximately HK\$0.98 million and loss after taxation of approximately HK\$1.03 million. Base on the consolidated management accounts for the six months ended 30th June, 2005, Shanghai Pei Lian generated turnover of approximately HK\$17.61 million and incurred loss before taxation of approximately HK\$0.20 million and loss after taxation of approximately HK\$0.30 million. The losses of Shanghai Pei Lian during the aforesaid periods were largely attributable to the advertising expenses incurred for promotion of the call centre and itself as a newly established company. As at 30th June, 2005, Shanghai Pei Lian had net assets of approximately HK\$3.20 million.

REASONS FOR THE ACQUISITION

The Group is principally engaged in property holding, investment and re-development in Hong Kong and manufacturing, sales and distribution of health products in the PRC. The Group's health products segment was established in July 2004 and is engaged in provision of packaging services for health food products produced by other manufacturers and distribution of the packaged products to the market. The health products segment generated an audited turnover of HK\$18.9 million and profit of HK\$1.8 million for the year ended 31st December, 2004. Having considered the promising performance of the health products segment in its first year of operation, the Board continues to explore investment opportunities associated with this segment such that the Group can broaden its presence in the health products industry.

As described above, Top Pro Group engages in sale and distribution of cosmetic products, health food products, educational equipment and other electronic and health appliances in the PRC. The Acquisition enables the Group to leverage on the well-established sales and distribution network (i.e. the 24-call centre and the logistic network) of Shanghai Pei Lian in the PRC and its existing advertising and marketing channel to expand its customer base.

In addition, the Directors consider that the significant increase in turnover of Shanghai Pei Lian from HK\$8.24 million for the four months ended 31st December, 2004 to HK\$17.61 million for the six months ended 30th June, 2005, representing a growth rate of approximately 43% on an annualised basis, has demonstrated its high-growth potential and prospect. With the continuing economic growth in the PRC and the corresponding increase in disposable income of the general public and consumer spending, the Directors consider the growth of Shanghai Pei Lian sustainable.

In view of the above, the Directors consider that the Acquisition is synergistic to the Group's health products business and it is beneficial to the Company and in the interests of the Shareholders as a whole.

GENERAL

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. A circular containing, among others, notice of the EGM, information in respect of the Acquisition, financial information on Top Pro Group and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 5th September, 2005 pending release of this announcement. Application has been made by the Company for resumption of trading in the Shares from 9:30 a.m. on 12th September, 2005.

TERMS USED IN THIS ANNOUNCEMENT

- "Acquisition" acquisition of the entire issued share capital of Top Pro by the Company pursuant to the Acquisition Agreement
- "Acquisition Agreement" the acquisition agreement dated 4th September, 2005 entered into between the Company and the Vendor in relation to the Acquisition

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than Saturday, Sunday and other Hong Kong public holiday) on which banks in Hong Kong (excluding internet banking services) are open generally for normal banking business
“Cash Consideration”	HK\$25 million to be paid to the Vendor pursuant to the terms of the Acquisition Agreement for satisfying part of the Consideration
“Company”	Landune International Limited, a company incorporated and existing under the laws of Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	consideration for the Acquisition to be satisfied by the Cash Consideration, the Deferred Cash Consideration and issue of the Consideration Shares pursuant to the terms of the Acquisition Agreement
“Consideration Shares”	new Shares to be allotted and issued to the Vendor pursuant to the terms of the Acquisition Agreement for satisfying part of the Consideration
“Deferred Cash Consideration”	the deferred cash amount to be paid to the Vendor pursuant to the terms of the Acquisition Agreement for satisfying part of the Consideration
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if consider appropriate, approve the Acquisition Agreement and the transaction contemplated thereunder
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Shanghai Pei Lian”	上海佩蓮商貿有限公司 (Shanghai Pei Lian Trading Company Limited), a company incorporated under the laws of the PRC with limited liability
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Smartest”	Smartest Limited (駿超有限公司), a company incorporated under the Laws of Hong Kong with limited liability, a wholly-owned subsidiary of Top Pro
“Standby Loan Facility”	the standby loan facility granted by Group First Limited, the controlling shareholder of the Company, to the Company for a maximum of HK\$30 million, which bears interest at a rate not higher than the prime rate offered by The Hong Kong and Shanghai Banking Corporation at the respective date of draw-down and is repayable after six months from the respective date of draw-down
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Pro”	Top Pro Limited, a company incorporated in the British Virgin Islands with limited liability
“Top Pro Group”	Top Pro, Smartest and Shanghai Pei Lian
“Vendor”	Leung Chi Yan (梁志仁), a third party independent of the Company and its connected persons
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

In this announcement, RMB are converted into HK\$ at the rate of RMB1.04 = HK\$1 for illustrative purpose.

By Order of the Board
Landune International Limited
Ni Xinguang
Chairman

Hong Kong SAR, 9th September, 2005

As at the date of this announcement, the Board comprises Messrs. Ni Xinguang, Ha Shu Tong, Wang Zhiming 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.