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LANDUNE INTERNATIONAL LIMITED

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

MAJOR TRANSACTION RELATING TO DISPOSAL OF PROPERTY

The Vendor, a wholly-owned subsidiary of the Company, entered into the Provisional Sale and Purchase Agreement with the Purchaser on 28th September, 2004 in relation to the disposal of the Property for a consideration of HK\$8,380,000. The consideration was agreed after arm's length negotiations and based on normal commercial terms.

The Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the approval of the Shareholders. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder has a material interest in the Disposal and no Shareholder is required to abstain from voting on the Disposal. Group First, which is interested in approximately 53.70% of the issued share capital of the Company, has given a written certificate to the Company approving the Disposal. The Disposal has been approved by way of the written certificate of Group First in lieu of a resolution to be passed at the Shareholders' meeting pursuant to Rule 14.44 of the Listing Rules. The interest of Group First as the controlling Shareholder in the Disposal is no different from that of all other remaining Shareholders.

A circular containing, amongst others, details of the Formal Agreement and a valuation report on the Property will be sent to the Shareholders as soon as practicable in accordance with the requirements of Rule 14.38 of the Listing Rules.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 2:30 p.m. on 30th September, 2004 pending the issue of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 8th October, 2004.

The Board announces that the Vendor, a wholly-owned subsidiary of the Company, has entered into the Provisional Sale and Purchase Agreement with the Purchaser in relation to the disposal of the Property on 28th September, 2004 for a consideration of HK\$8,380,000.

PROVISIONAL SALE AND PURCHASE AGREEMENT

Date: 28th September, 2004

- Parties:**
- (a) Lucky Wealthy Investment Limited as the Purchaser. As the Property is sold through a property agent, the Company is not in a position to ascertain the principal activities of the Purchaser. However, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.
 - (b) Day Success Company Limited as the Vendor. The Vendor is a wholly-owned subsidiary of the Company and is principally engaged in property investment.

Subject matter of sale and purchase:

Pursuant to the Provisional Sale and Purchase Agreement, the Vendor will sell and the Purchaser will purchase the Property upon the terms contained therein. The Vendor and the Purchaser target to enter into the Formal Agreement on or before 7th October, 2004. It is contemplated that the Formal Agreement will reflect the terms and conditions of the Provisional Sale and Purchase Agreement and includes a condition that the Disposal will be subject to the Shareholders' approval in compliance with the Listing Rules. A circular containing, among other things, the details of the terms and conditions of the Formal Agreement will be sent to the Shareholders as soon as practicable.

The Property consists of all those portions of the entertainment and related areas and the remaining portions of the reserved areas on 2/F, Smiling Shaukeiwan Plaza, No. 17 Nam Hong Street, Shaukeiwan, Hong Kong with a total saleable floor area of approximately 4,770 square feet. The Property is presently leased out for rental income, the lessees of which are third parties independent of the Company and its connected persons.

The Property will be sold together with the underlying leases. The annual rental income of the Property was approximately HK\$1,145,000 and HK\$1,110,000 for each of the two years ended 31st December, 2002 and 31st December, 2003 respectively, representing 0.7% and 11.5% of the turnover of the Group for the corresponding year. The Property generated a net loss of approximately HK\$3,109,000 and HK\$127,000 for each of the two years ended 31st December, 2002 and 2003 respectively.

Consideration:

The consideration for the Disposal is HK\$8,380,000 which has been or will be paid by the Purchaser in cash in the following manner:

- (a) HK\$400,000, representing approximately 4.77% of the consideration, has been paid as an initial deposit upon the signing of the Provisional Sale and Purchase Agreement;
- (b) HK\$438,000, representing approximately 5.23% of the consideration, will be paid as a further deposit upon the signing of the Formal Agreement;
- (c) HK\$420,000, representing approximately 5.01% of the consideration, will be paid on or before 10th December, 2004; and
- (d) the balance of HK\$7,122,000 will be paid upon completion of the Formal Agreement.

It is expected that completion of the Formal Agreement will take place on or before 18th February, 2005. Completion of the Formal Agreement is subject to the proof of good title to the Property and the Shareholders' approval on the Disposal. In the event that the Purchaser fails to complete the purchase in the manner as described in the Provisional Sale and Purchase Agreement or the Formal Agreement once it is signed, the deposit shall be forfeited by the Vendor. If the Vendor fails to complete the Disposal according to the Provisional Sale and Purchase Agreement or the Formal Agreement once it is signed, the Vendor shall immediately compensate the Purchaser with a sum equivalent to the amount of the deposit as liquidated damages together with the refund of the deposit without interest.

The book value of the Property contained in the Company's latest audited consolidated accounts for the year ended 31st December, 2003 was HK\$12,000,000, representing approximately 29.78% of the total assets of the Group as at that date. Such value was determined by reference to the Directors' estimate after considering the valuation on the Property as at 31st December, 2003 performed by an independent professional valuer in the same amount.

The terms of the Disposal (including the consideration), which were on normal commercial terms, were determined between the parties after arm's length negotiations and with reference to the open market value of similar properties situated in the same area. The consideration represents a discount of approximately 30.17% to the book value of the Property. The Group will record a loss of approximately HK\$4,200,000 in respect of the Disposal, which is calculated on the basis of the difference between the book value of the Property and the consideration for the Disposal after deduction of expenses.

REASONS FOR THE DISPOSAL

The property market in Hong Kong has experienced a significant downturn since 1997. Although the property market sentiment has improved since the beginning of 2004, the improved market conditions apply, to a large extent, to newly constructed residential projects. Commercial-residential buildings in non-prime area such as the Property have not benefited from the improved market sentiment and there has been a general lack of interested buyers in the market for these buildings. As the Property is already over 12 years old, the Board expects that the maintenance and refurbishment costs on the Property would be substantial in the near future. The Property is also subject to a mortgage loan with outstanding principal of approximately HK\$4.6 million as at the date of this announcement. Under the threat of upward adjustment in interest rates, the mortgage interest payable by the Group for the Property is likely to increase. Notwithstanding that the Property generates rental revenue for the Group, the Property has been loss making since it was acquired by the Group in 2000 taking into account the mortgage interest, the impairment loss and other direct costs and related administrative expenses. Based on the above, the Directors believe it is in the interest of the Company to take advantage of the opportunity to dispose of the Property so that resources of the Group could be better applied in other investment opportunities that offer a more attractive return. The Directors consider that the Disposal is to the benefits of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds from the Disposal are estimated to be approximately HK\$7.8 million. After settling the outstanding mortgage loan on the Property of approximately HK\$4.6 million, the Company intends to apply the remaining balance of the net proceeds of approximately HK\$3.2 million as the Group's general working capital.

INFORMATION ON THE GROUP

The principal activities of the Group were property investment, re-development and investment holding in Hong Kong and the PRC. The Group had also participated in two joint ventures in Hong Kong in March 2004 as disclosed in the 2004 interim report of the Company. One of the joint ventures has set up a wholly-owned subsidiary in Fuzhou, the PRC and commenced the packaging and distribution of health food products in the PRC in July 2004. It is intended that the other joint venture will establish a marketing and distribution entity in Shanghai, the PRC for the distribution of consumer products. This joint venture has not commenced any operations as at the date of the announcement. The Company holds 70% interest in each of these two joint ventures, while the remaining 30% interests in each of the two joint ventures are held by third parties independent of the Company and its connected persons. The Board is optimistic about the development of the joint ventures as there is a huge consumption capability with high growth rate in the PRC. Following completion of the Disposal, it is expected that the Group will continue to engage in property investment and re-development and investments in the aforesaid joint ventures. The property portfolio of the Group will comprise two shop units at Smiling Plaza in Sham Shui Po and the development rights of a parcel of land situated at Ma Yau Tong Village at Sai Kung. The land clearance and architectural design of the Ma Yau Tong Village project have been completed, and the project is pending government's approval of the architectural design. The Directors plan to redevelop the site into 28 saleable village house units with an expected aggregate saleable floor area of approximately 58,800 square feet and believe half of them would be available for sale by late 2005 and the remaining half would be ready by mid 2006. The Board is constantly reviewing potential investment opportunities that would offer high returns, including but not limited to property investment. As at the date of this announcement, the Company has not yet identified any concrete investment target or entered into any binding agreement to this effect. Should the Company enter into any investment projects in the future, the Company will make announcement in accordance with the requirements of the Listing Rules.

GENERAL

The Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the approval of the Shareholders at an extraordinary general meeting. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. Group First, which is interested in approximately 53.7% of the issued share capital of the Company as at the date of this announcement, has confirmed to the Company that it does not have any interest in the Disposal and has given a written certificate on 28th September, 2004 approving the Disposal. The beneficial owners of Group First are Messrs. Ni Xinguang and Wang Zhiming, each has personal interest in the Company of 0.40%. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons. Accordingly, no Shareholder is required to abstain from voting on the Disposal in the extraordinary general meeting of the Company. The Disposal has been approved by way of the written certificate given by Group First on 28th September, 2004 in lieu of a resolution to be passed at the extraordinary general meeting pursuant to Rule 14.44 of the Listing Rules. The interest of Group First as the controlling Shareholder in the Disposal is no different from that of all other remaining Shareholders. A circular containing, amongst others, details of the Formal Agreement and a valuation report on the Property will be sent to the Shareholders as soon as practicable in accordance with the requirements of Rule 14.38 of the Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 2:30 p.m. on 30th September, 2004 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares from 9:30 a.m. on 8th October, 2004.

DEFINITIONS

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

“Board”	the board of Directors
“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
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Property by the Vendor to the Purchaser
“Formal Agreement”	the formal sale and purchase agreement to be entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Property
“Group”	the Company and its subsidiaries
“Group First”	Group First Limited, a company incorporated in the British Virgin Islands with limited liability, which is beneficially owned as to 60% by Mr. Ni Xinguang and as to 40% by Mr. Wang Zhiming
“Listing Rules”	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
“Property”	the property held by the Vendor at Smiling Shaukeiwan Plaza in Hong Kong
“Provisional Sale and Purchase Agreement”	the provisional sale and purchase agreement dated 28th September, 2004 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Property
“Purchaser”	Lucky Wealthy Investment Limited
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Day Success Company Limited, a wholly-owned subsidiary of the Company

For and on behalf of
Landune International Limited
Ha Shu Tong
Managing Director

Hong Kong, 7th October, 2004

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, Lee Kit Ming, Edmund and Tang Chi Wing who are independent non-executive Directors.

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