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LANDUNE 蓝顿国际
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)

PLACING OF EXISTING SHARES
AND
SUBSCRIPTION FOR NEW SHARES
AND
RESUMPTION OF TRADING

Joint Placing Agent and Sole Bookrunner Financial Adviser and Joint Placing Agent



SBI E2-Capital Securities Limited



Commerzbank AG Hong Kong Branch

The Directors are pleased to announce that on 28 September 2006, the Vendor and the Placing Agents entered into the Placing Agreement, pursuant to which the Placing Agents agreed to, on a best effort basis, place 832,200,000 existing Shares at a price of HK\$0.188 per Share on behalf of the Vendor. On the same day, the Vendor entered into the conditional Subscription Agreement with the Company for the subscription of 832,200,000 new Shares at the Subscription Price. The Placing Shares represented approximately 19.67% of the existing issued share capital of the Company as at the date of this Announcement and approximately 16.44% of the total issued share capital of the Company as enlarged by the Subscription.

The Placing Shares were placed by the Placing Agents to not less than six independent places, all of which are professional institutional investors. Assuming the outstanding options of the Company are not exercised, upon completion of the Placing but before the Subscription, the shareholding of the Vendor in the issued share capital of the Company will be reduced from approximately 47.27% to approximately 27.60%. The Subscription will increase the shareholding of the Vendor to approximately 39.50% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Subscription Shares will be allotted and issued pursuant to the General Mandate. The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in the Subscription Shares.

The Placing and the Subscription are effected to enable the Company to raise funds. Assuming that the Placing Shares are fully placed under the Placing, the proceeds from the Subscription, net of the relevant expenses (including the commission payable to the Placing Agents), will amount to approximately HK\$150 million. The Company intends to use the net proceeds from the Subscription for the Group's engagement in the business of retailing and whole-selling of consumer products and television shopping in the PRC under the Seven Star Trademark.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:43 a.m. on Thursday, 28 September 2006, pending the release of this Announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on Tuesday, 3 October 2006.

THE PLACING AGREEMENT

Date of agreement

28 September 2006

Parties to the Placing Agreement

- (i) The Vendor; and
- (ii) The Placing Agents

Placing Agents

The Placing was arranged by the Placing Agents on a best effort basis. Each of the Placing Agents (and their respective ultimate beneficial owners) are, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, not connected persons of the Company (as defined in the Listing Rules). The Directors considered that the commission payable to the Placing Agents in relation to the Placing are on normal commercial terms.

Number of Placing Shares

The Placing Agents have agreed to procure, on a best effort basis, places for the purchase of up to 832,200,000 existing Shares owned by the Vendor, representing approximately 19.67% of the existing issued share capital of the Company as at the date of this Announcement and approximately 16.44% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription, assuming the Placing Shares are fully placed under the Placing and the outstanding options of the Company are not exercised.

Placees

The Placing Shares were placed by the Placing Agents to not less than six independent placees, all of which are professional institutional investors. To the Directors' best knowledge, information and belief, having made all reasonable enquiries, the placees (and their ultimate beneficial owners) procured by the Placing Agent as agents of the Vendor are not connected persons (as defined in the Listing Rules) of the Company, and each of the placees is independent to each of the others and none of them will hold 10% or more of the issued share capital of the Company upon completion of the Placing and the Subscription.

Placing Price

The Placing Price of HK\$0.188 per Share represented (i) a discount of approximately 1.6% to the closing price of HK\$0.191 per Share as quoted on the Stock Exchange on 27 September 2006 (being the last trading day prior to the suspension in trading of the Shares on the Stock Exchange pending for the release of this Announcement); (ii) a discount of approximately 3.1% to the average closing price of HK\$0.194 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 27 September 2006; (iii) a premium of approximately 2.2% to the average closing price of HK\$0.184 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including 27 September 2006; and (iv) approximately 11.6 times over the consolidated unaudited net asset value per Share of HK\$0.0162 as at 30 June 2006. The Placing Price was determined after arm's length negotiation between the Company and the Placing Agents with reference to the market price of the Shares and the current market condition. After deducting the relevant expenses, the net Placing Price is HK\$0.180 per Share.

Rights of the Placing Shares

The Placing Shares are sold free from all liens, charges, encumbrances and third-parties rights and rank pari passu with the Shares in issue, together with all rights attaching thereto as at the date of the Placing Agreement, including the right to receive all dividends and other distributions declared, made or paid on the Placing Shares at any time on or after the date of the Placing Agreement.

Conditions of the Placing

The Placing was arranged by the Placing Agents on a best effort basis. The Placing Agents have the right to terminate the Placing Agreement if, prior to 5:00 p.m. on the day immediately before completion of the Placing: (i) in the reasonable opinion of the Placing Agents, there have been certain events that would be likely to prejudice materially the consummation of the Placing; (ii) there is material breach of any of the representations and warranties of the Vendor as set out in the Placing Agreement, which in the reasonable opinion of the Placing Agents, is material in the context of the Placing; and (iii) there is any adverse change in the financial position, condition, business and prospect of the Company, which in the reasonable opinion of the Placing Agents, is material in the context of the Placing.

Completion of the Placing:

The Placing is expected to be completed on 5 October 2006 or such other date as the parties may mutually agree in writing.

THE SUBSCRIPTION AGREEMENT**Date of the agreement**

28 September 2006

Parties to the Subscription Agreement

- (i) The Company; and
- (ii) The Vendor

Number of Subscription Shares

The Vendor will subscribe for the Subscription Shares, being 832,200,000 new Shares and is equivalent to the number of the Placing Shares, representing approximately 19.67% of the existing issued share capital of the Company. Assuming the outstanding options of the Company are not exercised, the Placing will reduce the shareholding of the Vendor from approximately 47.27% to 27.60% in the existing share capital of the Company, and upon completion of the Subscription, the shareholding of the Vendor in the issued share capital of the Company will increase to approximately 39.50% as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price:

The Subscription Price is equivalent to the Placing Price, net of the relevant expenses and is determined to be HK\$0.180 per Share.

Mandate to issue the new Shares:

The Subscription Shares are to be issued under the General Mandate. The Company has not issued any new Shares under the General Mandate since the date of grant.

Ranking of the Subscription Shares

The Subscription Shares will rank pari passu in all respects with all other Shares in issue on the completion date of the Subscription, including the right to any dividends or distributions after the date of allotment.

Conditions to the Subscription:

Completion of the Subscription is conditional upon:

- (i) the Stock Exchange granting the listing of and the permission to deal in the Subscription Shares; and
- (ii) completion of the Placing pursuant to the Placing Agreement

None of the above conditions can be waived by the parties to the Subscription Agreement.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in the Subscription Shares.

Completion of the Subscription:

Completion of the Subscription will take place within 24 hours after the receipt of a written confirmation by the Vendor that the conditions listed above have been satisfied. If completion of the Subscription does not take place on or before 12 October 2006, being the fourteenth day from the date of the Subscription Agreement, the exemption under rule 14A.31(3)(d) of the Listing Rules shall not apply and the Company will comply with the relevant requirements for connected transactions under Chapter 14A of the Listing Rules.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

The shareholding structure of the Company, (i) before the Placing; (ii) after the Placing but before the Subscription; and (iii) after the Placing and the Subscription is set out as follows:

	Immediately before the Placing and the Subscription <i>(Number of Shares)</i>		Immediately after the Placing but before the Subscription <i>(Number of Shares)</i>		Immediately after the Placing and the Subscription <i>(Number of Shares)</i>	
		%		%		%
Vendor <i>(Note 1)</i>	2,000,000,000	47.27%	1,167,800,000	27.60%	2,000,000,000	39.50%
Mr. Ni <i>(Note 1)</i>	58,780,000	1.39%	58,780,000	1.39%	58,780,000	1.16%
Mr. Wang <i>(Note 1)</i>	57,780,000	1.37%	57,780,000	1.37%	57,780,000	1.14%
Ng Chun Chuen, David <i>(Note 2)</i>	33,000,000	0.78%	33,000,000	0.78%	33,000,000	0.65%
Institutional Investors <i>(Note 3)</i>	338,250,000	7.99%	338,250,000	7.99%	338,250,000	6.68%
The Places	Nil	–	832,200,000	19.67%	832,200,000	16.44%
Other public shareholders	1,743,232,000	41.20%	1,743,232,000	41.20%	1,743,232,000	34.43%
Total <i>(Note 4)</i>	<u>4,231,042,000</u>	<u>100.00%</u>	<u>4,231,042,000</u>	<u>100.00%</u>	<u>5,063,242,000</u>	<u>100.00%</u>

Notes:

1. Group First Limited, being the controlling Shareholder (within the meanings of the Listing Rules), is a private investment company beneficially owned as to 60% by Mr. Ni and 40% by Mr. Wang, which holds 2,000,000,000 Shares as at the date of this Announcement. Mr. Ni, an executive Director, has personal interest in 58,780,000 Shares and Mr. Wang, an ex-Director and a senior management of the Company, has personal interest in 57,780,000 Shares. Accordingly, Mr. Ni, Mr. Wang and the Vendor together held 2,116,560,000 Shares, representing approximately 50.03% of the issued share capital of the Company as of the date of this Announcement.
2. Mr. Ng Chun Chuen David, an executive Director, has personal interest in 33,000,000 Shares.

3. The institutional investors include Asiastar IT Fund L.P. and a fund managed by Martin Currie Investment Management Ltd.. Both investors became the Shareholders pursuant to a placing of the Shares on 19 April 2006. To the best of the Directors' best knowledge, information and belief, having made all reasonable enquiries, Asiastar IT Fund L.P. which is managed by Sycamore Ventures Pte. Ltd., a company based in Silicon Valley, the United States with Citigroup being its major investor, subscribed for 238,250,000 Shares in the above-mentioned placing. The fund managed by Martin Currie Investment Management Ltd., an Edinburgh-based specialist investment management company currently managing over US\$20 billion assets for clients in Europe, North America and Asia, subscribed for 100,000,000 Shares in the same placing transaction.
4. The above figures are calculated based on a total of 4,231,042,000 Shares currently in issue. The above figures assume that other than the Subscription Shares, no new Shares are issued or no existing Shares are purchased by the Company and no share options of the Company are converted into Shares after the date of this Announcement up to the date of the completion of the Subscription. In addition, as at the date of this Announcement, the Company has outstanding share options which are convertible into 204,000,000 Shares.

REASON FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS FROM THE SUBSCRIPTION

Principal business of the Company

The principal business of the Group is the manufacture and distribution of cosmetic and health products in the PRC. The Group has recently expanded its business scope to include the business of retailing and whole-selling of consumers products and television shopping in the PRC under the Seven Star Trademark.

Usage of the proceeds from the Subscription

The proceeds from the Subscription, net of the relevant expenses (including the commission payable to the Placing Agents), will amount to approximately HK\$150 million. The Group intends to use such proceeds for its engagement in the area of retailing and whole-selling of consumer products and television shopping in the PRC under the Seven Star Trademark, where approximately HK\$120 million will be used for the acquisition of air-time from the various television channels and the establishment of home shopping business in the PRC for retailing of consumer products under the television shopping platform, and the remaining balance of approximately HK\$30 million will be used for general working capital purpose. The Directors considered that the Placing would, not only raise additional capital for the Company, but could also broaden the shareholder and capital bases of the Company. The Directors believe that the terms of the Placing and the Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Except for the placing of the new Shares as disclosed in the Company's announcement dated 20 April 2006, pursuant to which, the Company raised approximately HK\$50 million (net of the relevant expenses), the Company has not conducted any fund raising activities in the past 12 months from the date of this Announcement. As stated in the said announcement, the net proceeds from such placing will be used as general working capital and for the Company's future expansion in the retail and distribution segment in the PRC. As at the date of this announcement, the Company has utilised approximately HK\$7 million for general corporate working capital purpose and the Directors intend to allocate approximately HK\$13 million for general corporate working capital purpose and apply the remaining balance of approximately HK\$30 million as working capital for the Group's engagement in the business of retailing, whole-selling of consumers products and television home shopping in the PRC under the Seven Star Trademark.

SUSPENSION AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:43 a.m. on Thursday, 28 September 2006, pending the release of this Announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m., Tuesday, 3 October 2006.

DEFINITIONS

In this Announcement, the following words and phrases have the following meanings:

“Company”	Landune International Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Commerzbank”	Commerzbank AG, acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO, the Financial Advisor and the Joint Placing Agent
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors to allot up to 846,208,400 Shares pursuant to the resolution of the Shareholders passed at its annual general meeting held on 23 May 2006
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ni”	Mr. Ni Xinguang* (倪新光), a Director
“Mr. Wang”	Mr. Wang Zhiming* (王志明), an ex-Director and now a senior management of the Company
“Placing”	placement of the Placing Shares by the Placing Agents at the Placing Price pursuant to the Placing Agreement
“Placing Agents”	SBI E2-Capital and Commerzbank
“Placing Agreement”	the placing agreement dated 28 September 2006 made between the Vendor and the Placing Agents in respect of the Placing
“Placing Price”	the placing price of HK\$0.188 per Share
“Placing Shares”	832,200,000 existing Shares owned by the Vendor
“SBI E2-Capital”	SBI E2-Capital Securities Limited, a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) of the regulated activities as set out in Schedule 5 to the SFO, the Joint Placing Agent and the Sole Bookrunner of the Placing
“PRC”	the People’s Republic of China
“Seven Star Trademark”	the trademark of “七星購物” registered in PRC under the registration number 3201183
“SFO”	the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 28 September 2006 made between the Company and the Vendor in respect of the Subscription
“Subscription Price”	the subscription price under the Subscription, which is equivalent to the Placing Price, net of the relevant expenses and is determined to be HK\$0.180 per Share
“Subscription Shares”	the 832,200,000 new Shares to be issued pursuant to the Subscription Agreement, which are equal to the number of Placing Shares
“Vendor”	Group First Limited, a private company beneficially owned as to 60% by Mr. Ni and as to 40% by Mr. Wang, being the controlling Shareholder (within the meanings of the Listing Rules) which is interested in approximately 47.27% in the issued share capital of the Company as at the date of this Announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

By Order of the Board
Landune International Limited
Ni Xinguang
Chairman

Hong Kong, 29 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.

** For identification purposes only*

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