

**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)

**UPDATE ON THE STATUS OF WINDING UP PETITION  
AND  
RESUMPTION OF TRADING**

**Update on the status of the Petition**

In November 2004, the Former Director served a winding up petition against the Company claiming for a sum of HK\$1,178,000 for allegedly arrears of wages, end of year payment, director's fees and disbursements. The hearing date of the Petition has been fixed on 22nd March, 2006.

In December 2004, the Company filed an application to the High Court to strike out the Petition. The Application was dismissed by the High Court. The Company further applied to the Court of Appeal to appeal against the decision made by the High Court. The Court of Appeal, on 11th January, 2006, concurred with the decision of the High Court and dismissed the Company's appeal. More details of the Application and the Petition are set out below.

The Company is currently in discussion with its legal advisers and considering whether further legal actions are to be taken in relation to the decision made by the Court of Appeal on the Application. In the event that the outcome of the hearing of the Petition is in favour of the Former Director, the Company will pay the HK\$1,178,000 demanded by the Former Director from its internal resources.

**General**

Trading in the Shares has been suspended with effect from 9:41 a.m. on 12th January, 2006 pending release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the Shares from 9:30 a.m. on 17th January, 2006.

**Shareholders of the Company and potential investors are reminded to exercise caution when dealing in the Shares.**

**UPDATE ON THE STATUS OF THE PETITION**

Reference is made to a press article published on 12th January, 2006 in relation to the application (the "Application") by Landune International Limited (the "Company") to strike out a winding up petition (the "Petition") against the Company served by a former executive director of the Company (the "Former Director"). In this regard, the board (the "Board") of directors (the "Directors") of the Company wishes to state as follows:

On 15th November, 2004, the Petition was served by the Former Director against the Company. The Former Director demanded payment by the Company of a sum of HK\$1,178,000 for allegedly arrears of wages, end of year payment, director's fees and disbursements. As soon as the Petition was served, the Company issued an announcement in respect of the Petition (the "Announcement") on 17th November 2004. The Company further disclosed in its circular dated 27th October, 2005 (the "Circular") in relation to an acquisition of a sales and distribution business in China the rescheduled date of hearing on 22 March 2006. The Company will make further announcement as soon as reasonably practicable after obtaining the decision of such hearing.

On 22nd December, 2004, the Company filed the Application to the High Court to strike out the Petition on the basis that the Company together with Kailey International Ltd. ("Kailey"), a wholly-owned subsidiary of the Company, are proceeding with a legal action against the Former Director and certain other related persons for allegedly conspiracy with the vendor to defraud the Company or Kailey in respect of an acquisition of a hotel project in China (the "Hotel Project") undertaken by Kailey in 2000 (the "Hotel Project Claim"). Details of the background of the Hotel Project have been disclosed in note 16 in the annual report of the Company for the year ended 31st December, 2002. The High Court concluded that the Application was not valid given that the Company was not the direct party which suffered losses from the Hotel Project. The High Court was also of the view that the Company could not strike out the Petition by reason of it being the sole shareholder of Kailey. Therefore, the Application was dismissed by the High Court. On 20th July, 2005, the Company applied to the Court of Appeal to appeal against the decision made by the High Court. The Court of Appeal, on 11th January, 2006, concurred with the decision of the High Court and dismissed the Company's appeal.

As stated in the Announcement, the Directors believed that the Company had valid defence against the Petition and proceeded with the Application after seeking legal advice. Notwithstanding the Company's effort on striking out the Petition by the Application, the status of the Petition remains unchanged. The Directors will keep the public informed on a timely manner should there be any changes in the status of the Petition.

The Directors consider that no matters relating to the Hotel Project Claim should be brought to the attention of the Company's shareholders at this stage as the Company is still proceeding with legal actions against the relevant parties and is currently attending to interlocutory matters such as exchange of witness statements. The hearing date of the Hotel Project Claim has not yet been fixed. The Company will make announcement regarding the Hotel Project Claim when the outcome of which is more certain and decisive.

The Company is currently in discussion with its legal advisers and considering whether further legal actions are to be taken in relation to the decision made by the Court of Appeal on the Application. The Company may or may not proceed with applying to the Court of Final Appeal to appeal against the decision of the Court of Appeal. If the Company does not appeal to the Court of Final Appeal, the hearing date of the Petition will remain on 22nd March, 2006. In the event that the outcome of the hearing of the Petition is in favour of the Former Director, the Company will pay the HK\$1,178,000 demanded by the Former Director from its internal resources.

As disclosed in the annual report of the Company for the year ended 31st December 2004 and the Circular, the Group, apart from the Petition, has two other pending litigations. Based on the Directors' latest assessment, the Group will have to pay approximately HK\$4.6 million (exclusive of legal costs to be incurred) in the event that the outcome of all three pending litigations (including the Petition) are not in favour of the Group. The Directors are of the opinion that, after taking into account the existing cash and bank balances of the Group (amounted to approximately HK\$2.4 million as at 13th January, 2006), the remaining available stand-by loan facility (Note 1) of HK\$5 million granted by its controlling shareholder and the remaining available loan facility from a finance institution (Note 2) of approximately HK\$5.7 million, the Group will be able to fully settle the claims and the related legal costs of the aforesaid litigations if their outcomes are unfavourable to the Group. Save as disclosed above, the Board is not aware of any other pending litigations against the Group.

**Notes:**

1. A stand-by loan facility of HK\$30 million was granted by Group First Limited, the Company's controlling shareholder, in July 2005, of which HK\$25 million is intended for an acquisition as disclosed in the Circular. It is unsecured, bears an interest rate to be agreed by both parties at the respective date(s) of draw-down which will not be higher than the prime rate offered by The Hongkong and Shanghai Banking Corporation Limited ("HSBC") and repayable after six months from the respective date(s) of draw-down. Up to the date of this announcement, HK\$5 million has been drawn on 9th September, 2005 at an interest rate of 6% per annum.
2. A loan facility of HK\$9 million was granted by a financial institution on 30th April, 2005 for a term of 36 months of which HK\$3.3 million has been drawn up to the date of this announcement. It is unsecured, bears interest at HSBC prime rate per annum and repayable upon the expiry of its term.

**GENERAL**

Trading in the shares of the Company (the "Shares") has been suspended with effect from 9:41 a.m. on 12th January, 2006 pending release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the Shares from 9:30 a.m. on 17th January, 2006.

**Shareholders of the Company and potential investors are reminded to exercise caution when dealing in the Shares.**

By Order of the Board  
**Landune International Limited**  
**Ha Shu Tong**  
Executive Director

Hong Kong SAR, 16th January, 2006

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