MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

The Board of Directors (the ''Board'') of Landune International Limited (formerly know as Singapore Hong Kong Properties Investment Limited) (the ''Company'') is pleased to announce the unaudited interim financial results of the Company and its subsidiaries (the ''Group'') for the six months ended 30 June 2004.

Change of Company's name

Pursuant to a special resolution passed in the annual general meeting of the Company on 28 May 2004, the shareholders had approved the change of the Company's name from Singapore Hong Kong Properties Investment Limited to Landune International Limited. The new name was then approved by the Registrar of Companies in Hong Kong and the ''Certificate of incorporation on change of name" was issued to the Company on 16 June 2004 whereupon the new name became effective immediately.

Corporate Results

The Group recorded a turnover of HK$11,335,000 in the current period which comprised the proceeds on the disposal of properties of HK$10,600,000 and rental income of HK$735,000. The rental income represented a substantial increment of 105% to the turnover of HK$358,000 (all represented rental income) in the corresponding period of 2003. The increase fairly reflected the general recovery of the local properties market in particularly from the darkest stage in the early part of 2003 caused by the outbreak of SARS. Result attributable to shareholders turnaround from a loss of HK$14,753,000 in last period to a profit of HK$138,296,000 in the current period as a result of approximately HK$145 million gain resulted from the waiver of certain loan principals and interests accrued thereto arising from the debt restructuring arrangements completed in March 2004.

Financial Resources and Liquidity

Issue of shares

As reported and announced earlier, the Group had successfully undergone a series of capital transactions that involved the issuance of new shares through private placement and loan capitalisation as detailed below:

In January 2004, the Company executed a subscription agreement with Group First Limited ("GFL") and pursuant to which GFL agreed to conditionally subscribed for

500,000,000 shares of the Company at HK$0.10 each. The subscription shares would be issued together with 1,500,000,000 bonus shares on the basis of three bonus shares for each share subscribed by GFL. The subscription was completed on 12 March 2004 and the Company received HK$50 million gross proceeds thereof which had been utilised to a large extend for the repayment to bank creditors pursuant to the debt restructuring arrangements.

In early January of 2004, the Company also entered into four loan capitalisation agreements with four of its loan creditors in respect of a total outstanding loan amount of HK$34,000,000. Pursuant to the four loan capitalisation agreements, the Company agreed to issue and allot an aggregate of 340,000,000 shares of the Company at HK$0.10 each credited as fully paid up by way of capitalising the outstanding loans of HK$34,000,000. The capitalisation shares would be issued together with 1,020,000,000 bonus shares on the basis of three bonus shares for each share subscribed by the lenders. Completion of the four loan capitalisation agreements took place simultaneously with the subscription agreement of GFL on 12 March 2004.

Borrowings

The Group's total borrowings (excluding trade and other payables) amounted to HK$10,865,000 as at 30 June 2004 which represented a sharp decrease of 95% from the total borrowings of HK$230,491,000 as at 31 December 2003. The reduction was resulted from the loan capitalisation and the debt restructuring arrangements with the creditors as stated above. During the period, the Group had paid off all the indebtedness due to the past financial creditors through the proceeds obtained from the issuance of shares and that of a new installment loan of HK$5 million from a financial institution. As at 30 June 2004, the properties portfolio with carrying value of HK$20,500,000 (31 December 2003: HK$31,100,000) had been pledged to the financial creditors as security for the indebtedness of around HK$6.3 million.

Current Ratio

The current ratio is now 1.85 which showed a substantial improvement from 31 December 2003 of 0.14. Taking into consideration the improved financial position of the Group and the substantial reduction of borrowings, the Directors are of the opinion that sufficient working capital are available to fulfill the financial obligations when they fall due and to meet the future funding requirement of the Group.

Interim Dividend

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2004 (six months ended 30 June 2003: Nil).

Review of Operations, Outlook and Strategy

Business Review, corporate Strategy and Outlook

During the first six months of 2004, the property market in Hong Kong in particular the retail segment improved continuously. The Group has thereby recorded a higher rental income than the corresponding period in last year. The Board expected that the retail leasing market may improve further in the coming periods and the Group will benefit positively both in terms of leasing income as well as the value of the portfolio. On the residential segment, the market appears to be slightly overheated due to the speculation activities in the first hand market, however, the real demand remains on the strong side. The Board will review its property development project in near future against the latest market environment so as to formulate the best strategy for the project.

The Group had participated in two joint ventures in March 2004. One of which is intended to engage in the printing and packaging activities with the production base to be located in Fuzhou of People's Republic of China (''PRC''). The total investment in the joint venture is HK$3 million in which the Group shares 70%. The packaging activity is scheduled to commence in July 2004. The other joint venture is intended to establish a marketing and distribution entity in Shanghai of PRC and the set up would be focusing on the establishment of a marketing network in China within two to three years. The total investment in the joint venture is HK$1 million in which the Group shares 70%. These investments are at their initial set up phase and did not have any contribution to the Group's turnover or net profit in the current period. However, the Board is optimistic that their development in future will be very significant as China market has such a large scale of consumption capability and a fastest growth rate in general. The Board will be continuously exploring other investment opportunities in both the local and PRC market in order to enlarge the business and turnover base of the Group and to strengthen its profitability.

Exchange rate exposure

As most of the assets and liabilities of the Group are denominated in Hong Kong dollar, the Board considered the Group is not subject to any material exchange rate exposure.

Staff and Remuneration Policy

The number of employees (including Directors) as at 30 June 2004 was slightly increased to 11 persons. Employees are remunerated according to nature of the job and market conditions.

The Board owes a lot of gratitude to the Group's bankers, creditors, management and staff for their continuing support in the past.

On behalf of the Board
Ni Xinguang
Chairman

Hong Kong SAR, 24 September 2004