

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Long Success International (Holdings) Limited.*



## **Long Success International (Holdings) Limited**

**百齡國際 (控股) 有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock code: 8017)

### **MAJOR TRANSACTION – ACQUISITION OF RIGHT GATEWAY LIMITED AND RESUMPTION OF TRADING**

On 27th July, 2006, the Company entered into the Target Acquisition Agreement to acquire from Mr. Sin and Ms. Chen the entire issued share capital of Right Gateway for a total consideration of HK\$230,200,000. A Deed of Variation was entered into on 17th August, 2006 between the relevant parties to vary the number of Shares granted under the Call Option.

The consideration for the Acquisition shall be satisfied by the Company (i) as to HK\$30,000,000 in cash (subject to adjustment); (ii) the issue of the Convertible Notes in the aggregate principal amount of HK\$145,200,000 (subject to adjustment); and (iii) the allotment and issue of the Consideration Shares credited as fully paid.

Right Gateway is an investment holding company. It owns 70% of the equity interest in Right Idea. The remaining 30% is owned by Sky Times, a company wholly-owned by Mr. Sin and Ms. Chen in equal share. On 27th July, 2006, Right Idea as purchaser entered into the Profit Agreement with Man Pou as a vendor and Mr. Sin and Ms. Chen as guarantors, pursuant to which Man Pou has agreed to sell and/or assign and Right Idea has agreed to purchase and/or accept the assignment of the Profit, being 0.4% of the Rolling Turnover generated by Man Pou and/or its customers at Jun Ying VIP Club together with any other payments received by it in the performance of its obligations as a junket representative, at a consideration of HK\$1.00.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Right Idea, Man Pou and their ultimate beneficial owners, Mr. Sin and Ms. Chen, are Independent Third Parties and all of them are independent of and not connected with the Directors and their respective associates.

\* For identification only

As the relevant ratios as referred to in Chapter 19 of the GEM Listing Rules are 25% or more but less than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the Acquisition is subject to, among other things, the approval by the Shareholders at the SGM.

A circular containing, among other things, further information in respect of the Acquisition, together with the notice of the SGM will be despatched to the Shareholders in accordance with the GEM Listing Rules.

At the request of the Company, trading in the Shares was suspended with effect from 2:36 p.m. on 26th July, 2006 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 22nd August, 2006.

**Shareholders and/or investors should note that the proposed acquisition may or may not proceed and accordingly, Shareholders are therefore advised to exercise caution when trading in the Shares.**

## **THE TARGET ACQUISITION AGREEMENT**

**Date:** 27th July, 2006

**Parties:**

**Purchaser:** the Company

**Vendor:** Mr. Sin and Ms. Chen (both of whom are Macau citizens)

**Warrantors:** Man Pou, Mr. Sin and Ms. Chen. They are not acting in concert with any other parties regarding the shareholding of the Company.

Man Pou has been appointed by the Casino as a junket representative for Jun Ying VIP Club since May, 2006. Other than being a junket representative, Man Pou does not engage in any other business. Man Pou and its ultimate beneficial owners, Mr. Sin and Ms. Chen, are Independent Third Parties and are not associates of each other.

The Target Acquisition Agreement does not provide for the appointment of Mr. Sin and/or Ms. Chen or their nominees as directors or senior management of the Company and the Company has no current intention to appoint them or their nominees as such.

### **Assets to be acquired**

Pursuant to the Target Acquisition Agreement, the Company has agreed to acquire and Mr. Sin and Ms. Chen has agreed to sell and Man Pou has agreed to procure Mr. Sin and Ms. Chen to sell, as a legal and beneficial owners, the Sale Shares, being 100 shares of US\$1.00 each in the share capital of Right Gateway, representing the entire issued share capital of Right Gateway, free from any option, charge, lien, equity, encumbrance, rights of pre-emption or any other third party rights whatsoever and together with all rights attached to them at the date of Completion or subsequently becoming attached to them. Right Gateway holds a 70% interest in Right Idea, a company which has entered into an agreement with Man Pou to

acquire 100% of its Profit, being approximately 0.4% of the Rolling Turnover generated by Man Pou and/or its customers at the Jun Ying VIP Club.

### **Consideration**

The total consideration for the Sale Shares is HK\$230,200,000, and shall be settled by the Company:

- (a) paying cash of HK\$30,000,000 (subject to adjustment (see the section “Adjustment to Consideration” below) to Mr. Sin and Ms. Chen (as to HK\$15,000,000 each, such to be financed by Right Gateway’s 70% entitlement to the Quarterly Profit Guarantee for the first two years);
- (b) issuing the Convertible Notes in the aggregate principal amount of HK\$145,200,000 (subject to adjustment (see the section “Adjustment to Consideration” below)) to Mr. Sin and Ms. Chen (as to HK\$72,600,000 each); and
- (c) the allotment and issue of 50,000,000 Shares to Mr. Sin and Ms. Chen (as to 25,000,000 Shares each) credited as fully paid. The value of the Consideration Shares, based on the closing price of the Shares immediately prior to its suspension from trading on 26th July, 2006, is HK\$55,000,000 and represents 19.76% of the existing issued share capital of the Company. The price per Consideration Share of HK\$1.10 represents a 15.06% premium to the last five days’ trading average immediate before the suspension of trading in the Shares.

The Consideration was arrived at by reference to the number of gaming tables at Jun Ying VIP Club and the fact that industry reports estimate the net win from the game of Baccarat (being the most accessible game in a VIP lounge in Macau) to be approximately 2.5% of gross revenue, and that generally the revenue from one gaming table is approximately HK\$300,000,000 per month.

As part of the Target Acquisition Agreement, the Company will grant to the Vendors the Call Option at Completion. There are no outstanding options granted by the Company under Chapter 15 of the GEM Listing Rules which when aggregated with the Call Option would exceed 20% of the issued share capital of the Company.

A specific mandate will be sought by the Company at the SGM to allot and issue the Consideration Shares, Shares issued pursuant to conversion of the Convertible Notes and pursuant to the exercise of the Call Options.

Pursuant to the Profit Agreement, Man Pou has irrevocably and unconditionally guaranteed to Right Idea that the Profit for each Quarterly Period commencing on the first day of the calendar month after Completion and until the period ending 24 months thereafter shall not be less than HK\$11,250,000. Mr. Sin and Ms. Chen have agreed to guarantee the obligations of Man Pou under the Profit Agreement.

The Quarterly Profit Guarantee of HK\$11,250,000 is determined by reference to the number of gaming tables at the Jun Ying VIP Club (being 6 gaming tables) and the expected Profit of such tables based on industry information on the rolling turnover generated by gaming tables

at VIP lounges in Macau. Given that the Company indirectly holds 70% equity interest in Right Idea, it is entitled to 70% of the Profit.

### **Adjustment to the Consideration**

The total Consideration of HK\$230,200,000, as mentioned above, will be settled by way of a combination of cash, Convertible Notes and Consideration Shares. On Completion, only the Call Option will be granted and the Consideration Shares will be allotted and issued. As to the balance of the consideration, it will be paid/released on the twelve Business Day after the relevant Quarter Period subject to the following:

<b>Quarter Period Profit</b>	<b>Adjustment to be made to the Convertible Note</b>	<b>Adjustment to be made to the cash portion of the Consideration</b>
If a relevant Quarter Period Profit is less than HK\$11,250,000	For every HK\$1 shortfall in a relevant Quarter Period Profit, the face value of the Convertible Note to be released for the Quarter Period (ie. HK\$18,150,000) shall be reduced by HK\$1.61 and the balance released.	For every HK\$1 shortfall in a relevant Quarter Period Profit, the payment of the cash portion of the consideration for that Quarter Period (ie. HK\$3,750,000) shall be reduced by HK\$0.333 and the balance paid.
If a relevant Quarter Period Profit is more than HK\$11,250,000	For every HK\$1 excess in a relevant Quarter Period Profit, the face value of the Convertible Notes to be released for that Quarter Period shall be accelerated by HK\$1.61 with the relevant certificate issued.*	For every HK\$1 excess in a relevant Quarter Period Profit, the payment of the cash portion of the consideration for that Quarter Period shall be accelerated by HK\$0.333.#

\* For the avoidance of doubt, at no time shall the adjustment cause the face value of the Convertible Notes to exceed HK\$145,200,000.

# For the avoidance of doubt, at no time shall the adjustment cause the amount of cash portion of the consideration to be paid to the Vendors to exceed HK\$30,000,000.

All adjustments will be made to the Convertible Notes and cash portion at the same time. The HK\$1.61: HK\$0.333 adjustment ratio was calculated by reference to the face value of the Convertible Notes and cash portion divided by 2 years net profit.

The minimum consideration for the Acquisition, if no profit targets are met, would be the allotment and issue of the Consideration Shares (valued at HK\$55,000,000 taking the last closing price of HK\$1.10 per Share immediately before the suspension of trading in the Shares on 26th July, 2006) credited as fully paid.

It should be noted that despite that there being a Quarterly Profit Guarantee given by Man Pou to Right Idea, the above mentioned adjustments to the Consideration will be made, where applicable, regardless of such guarantee.

## **THE CALL OPTION**

A Deed of Variation was entered into between the relevant parties on 17th August, 2006 to vary the number of the Shares granted under the Call Option.

The Company will grant to Mr. Sin and Ms. Chen the Call Option. The Call Option is exercisable by Mr. Sin and Ms. Chen within 24 months from Completion of the Target Acquisition Agreement. The Option Price is HK\$0.99 per Call Option Share and represents a 10% and 3.56% discount to the closing price of the shares of the Company immediately before its suspension from trading on 26th July, 2006 and the five days trading average before the suspension of trading in the Shares respectively. Assuming full exercise of the Call Options, the Company will receive a net amount of HK\$49,500,000 (ie. HK\$0.99 per Share x 50,000,000 Call Option Shares). The maximum number of Shares to be allotted and issued under the Call Option is 50,000,000 Shares (ie. as to 25,000,000 Shares each).

## **PROFIT AGREEMENT**

On 27th July, 2006, Right Idea as purchaser entered into the Profit Agreement with Man Pou as vendor and Mr. Sin and Ms. Chen, the ultimate beneficial owners of Man Pou, as guarantors. The major terms of the Profit Agreement are set out as follows:

### **Asset to be acquired**

Man Pou has agreed sell, as beneficial owner, and/or assign and Mr. Sin and Ms. Chen have agreed to procure Man Pou to sell and/or assign to Right Idea absolutely Man Pou's right, title and interest and benefits in and to 100% of the Profit, being 0.4% of the Rolling Turnover generated by Man Pou and/or its customers at the Jun Ying VIP Club gaming rooms together with any other payments received by it, commencing from the completion date of the Profit Agreement and Right Idea shall purchase/accept the assignment the Profit, free from all liens, claims, equities, charges, encumbrances or third-party rights of whatsoever nature and with all rights attached thereto as from the completion date of the Profit Agreement.

### **Consideration**

The consideration payable by Right Idea to Man Pou for the Profit sold and/or assigned is HK\$1.61: which has been settled by Right Idea in cash.

### **Quarterly Profit Guaranteed**

Man Pou has irrevocably and unconditionally guaranteed to Right Idea that the Quarterly Period Profit for each of the eight Quarter Period commencing on the first calendar month following Completion shall not be less than HK\$11,250,000. Mr. Sin and Ms. Chen have agreed to guarantee the obligations of Man Pou under the Profit Agreement.

### **Conditions**

Completion of the Profit Agreement is conditional upon the following conditions having been fulfilled or waived (as the case may be):

- (a) Right Idea obtaining such legal opinions as it may in its absolute discretion require on, inter alia, the legality and enforceability of the junket operation conducted by Man Pou at the Casino and the legality of the transactions contemplated thereunder;
- (b) the warranties given by Man Pou remaining true and accurate in all material respects; and
- (c) Right Idea being satisfied in its absolute discretion with the results of the due diligence investigation in respect of Man Pou, including but not limited to the affairs, business, assets, legality of all business and commercial activities conducted at the Casino, any other due diligence relevant to the sale and purchase of the Profit, liabilities, operations, records, financial position, value of assets, accounts, results, legal and financing structure of Man Pou.

### **Long-stop date**

The Profit Agreement provides that should the satisfaction of all the above conditions, if not waived by Right Idea, not occur on or before 31st October, 2006, the Profit Agreement shall terminate.

### **Completion**

Completion shall take place on the second Business Day or on such date as may be agreed between the parties after the last of the conditions of the Profit Agreement having been fulfilled or waived.

### **Miscellaneous**

The Quarterly Profit Guarantee and the Profit Agreement do not form part of the Target Acquisition Agreement. The Target Acquisition Agreement and the Profit Agreement are not interconditional.

### **Rationale for the Structure**

#### *Reason*

The Casino only commenced operations in June 2006 and the same can be said for Jun Ying VIP Club. Unlike other VIP lounges whereby past performances can be used as a reference, Jun Ying VIP Club has only recently commenced operations and as such the performance of Man Pou and, in particular, the Rolling Turnover that can be generated by it and/or its customers cannot be ascertained on a historical basis.

In order to protect the interest of the Company and Shareholders as a whole, the above arrangement is to ensure that payment of the cash portion of the consideration and the release of the certificates to the Convertible Notes will only be made once the relevant Quarterly Profit Guarantee has been met. Essentially, it is a “pay as you go” mechanism whereby payments will only be paid if relevant Quarter Period Profits are met.

#### *Adjustment*

In the event that the relevant Quarterly Profit Guarantee is not met, the face value of the Convertible Notes will be reduced and so will also be the payment of the cash portion of the consideration.

In the event that the relevant Quarterly Profit Guarantee is exceeded, then there would be an acceleration on the release of parts of the Convertible Notes and also the cash portion of the consideration. However, at no time would the Company be required to issue certificates to the Convertible Notes and/or pay cash portion of the consideration in excess of HK\$145,200,000 and HK\$30,000,000 respectively.

### **Reasons for the Quarterly Profit Guarantee arrangement**

The requirement for the provision of Quarterly Profit Guarantee is part of the commercial deal for the parties to enter into the Target Acquisition Agreement. The Profit Agreement and the Target Acquisition Agreement are not interconditional. The Profit, being 0.4% of the Rolling Turnover generated by Man Pou and/or its customers at the Jin Ying VIP Club gaming rooms plus any other payments recorded by Man Pou as a junket representative, is arrived at after deducting the commission paid by Man Pou to its agents, who assist Man Pou in directing the customers to the Casino, administrative expenses incurred, including the salary payment, office rental, entertainment and traveling costs, and the tax payable to the Macau Government. The payments of commission to the agents and the administrative expenses are on normal commercial terms. The service provided by Man Pou's agents is to direct and introduce customers to Man Pou. The agents receive commission or fees from Man Pou, which are calculated at a rate on the Rolling Turnover generated by their customers. The rate as agreed between an agent and Man Pou is based on the number of customers introduced or directed, and the size, volume and frequency of betting made by its customers. The rate is fixed with reference to the market rate.

In respect of the Rolling Turnover generated by Man Pou at the Jin Ying VIP Club gaming rooms, the commission of Man Pou is based on the Rolling Turnover generated by it from Jin Ying VIP Club. Man Pou currently acts as the junket representative for Jin Ying VIP Club, which has 6 gaming tables.

As Right Gateway, which directly owns 70% of the shareholdings of Right Idea, is entitled to share 70% of the Profit, the total consideration of HK\$230,200,000 represents approximately 7.3 times the 70% of the average annual profit for the first two years (which based on the Quarterly Profit Guarantee). The Directors understand the importance of the Junket Representative Arrangement in the Acquisition as it forms part of the source of the Profit. During the arm's length negotiation, the Directors are given to understand that (1) the Junket Representative Arrangement may be terminated at any time by either party thereto; (2) the term of the Junket Representative Arrangement is substantially shorter than that of the Profit Agreement and may or may not be renewable upon expiry; and (3) the Company is not a party to the Junket Representative Arrangement and therefore it has no control on the termination and the renewal of the Junket Representative Arrangement. Also, the Directors understand that the junket licence of Man Pou is subject to renewal annually.

In the event that the Junket Representative Arrangement is terminated and the renewal of the Junket Representative Arrangement and the junket licence of Man Pou fail, the Rolling Turnover generated by Man Pou will no longer be the source of the Profit that the Group is entitled to share and the Group will lose this part of the Profit.

## **DIRECTORS' VIEWS**

As the Junket Representative Arrangement is confidential, its major terms cannot be disclosed to the Directors. However, the Directors had conducted extensive research on junket business in Macau, including reviewing reports prepared by well-known investment banks in relation to Macau gaming business and making enquiries with the practitioners in the gaming industry, in order to understand the arrangement between the junket operators and the casino operators generally. The Directors understand that generally, the term of the agreement between the junket operator and the casino operator is tied with the term of the junket licence. Such kind of agreement will be revoked once the renewal of the junket licence fails.

Despite this, the Directors consider that the consideration is fair and reasonable given that the Company has reported loss for the past two financial years and that:

### **(1) Benefits of the Acquisition**

- (a) The right to the Profit under the Profit Agreement is for an unlimited period of time, instead of a fixed period of time. It enables the Company to continually enjoy the potential strong growth in Macau gaming business.
- (b) There is no share of loss under the Profit Agreement as the Profit is essentially based on 0.4% of the Rolling Turnover generated by Man Pou and does not include expenses incurred by Man Pou.
- (c) This removes a lot of uncertainties on the Company's future profitability and reduces the operation risk of the Company.
- (d) There is no immediate substantial cash outlay for the Acquisition as the payment of cash portion of the consideration will be made quarterly and is subject to adjustment, if the Quarterly Profit Guarantees are not met.
- (e) Release of certificates to the Convertible Notes (or part thereof) will only be released upon satisfaction of the Quarterly Period Profit.
- (f) There is a downward adjustment to the consideration in the event that the relevant Quarterly Profit Guarantee is not met. Given there is no past performance of Man Pou, such adjustment arrangement gives the Company more protection and enables the Company to participate in Macau gaming business with a manageable risks.

### **(2) Mr. Sin's and Ms. Chen's personal interest**

Mr. Chen and Ms. Chen's personal interest lies with the failure and success of Man Pou. Upon Completion, Mr. Sin and Ms. Chen still indirectly holds 30% equity interest in Right Idea. That means they still have substantial interests in Right Idea, the one holding the Profit which depends on the renewal of Man Pou's junket licence and partially on the Rolling Turnover generated by Man Pou pursuant to the Junket Representative Arrangement.



In view of Mr. Sin and Ms. Chen's substantial interest in Right Idea and their abundance of experience in gaming industry, the Directors believe that, after Completion, Mr. Sin and Ms. Chen will continue to manage Man Pou in a prudent and efficient manner as the performance of Man Pou has a direct impact on them. As such, the risk of non-renewal of the junket licence and Junket Representative Arrangement upon expiry is minimized.

**(3) Renewal of junket licence**

The appointment of Man Pou as a junket representative by the Casino, evidences Man Pou's and Mr. Sin and Ms. Chen's credentials. Also, Man Pou has obtained junket licence from Macau Government in 2006. So far, the Company is not aware of any circumstance that makes Man Pou fail to fulfill the probity requirement that it had fulfilled for the grant of the junket licence. The Directors believe that the chance of non-renewal of Man Pou's junket license on 1st January, 2007 is highly unlikely.

**(4) Quarterly Profit Guarantee**

In any event, Right Idea will be entitled HK\$90,000,000 for the first two years as Man Pou and Mr. Sin and Ms. Chen have provided the Quarterly Profit Guarantees of not less than HK\$11,250,000 per Quarterly Period. As the Group is entitled to 70% of the Profit through its 70% equity interest in Right Gateway, it is entitled HK\$63,000,000 for the first two years.

After balancing the risks as stated in the section headed "Risk Factors of the Junket Business" with the benefits of the Acquisition, including the Group's perpetual rights to the Profit, no share of loss by the Group and the diversified source of the Profit under the Profit Agreement, the Directors consider that the consideration is fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole.

The consideration is determined after arm's length negotiation between the Company, Mr. Sin and Ms. Chen after considering the Quarterly Profit Guarantee and that the Acquisition will (1) broaden the Group's revenue source; and (2) provide a substantial and stable income source to the Group in view of the acquisition of the Profit by Right Idea from Man Pou under the Profit Agreement, the recent economic boom in Macau contributed by the loosening of travel restrictions of mainland Chinese visitors and the prospects of Macau's gaming business. Based on the statistics prepared by the Macau Government, the revenue generated by the gaming activities is growing steadily at an average growth rate of approximately 23% each year for the period between 2001 and 2005.

As such, the Directors (including the independent non-executive Directors) consider the consideration for the Acquisition to be fair and reasonable. Please refer to the paragraph headed "Reasons for the Acquisition" for further details of the reasons for the Acquisition.

**Conditions precedent**

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) the Company being in its reasonable discretion satisfied with the results of the due diligence investigation in respect of the Target Group including but not limited to the affairs, business, assets, results, legal and financing structure of the Target Group (in particular, the Profit Agreement);

- (b) the Company having received to its reasonable satisfaction a Macanese legal opinion on the legality and validity of the Profit Agreement and the transaction contemplated thereunder;
- (c) no event having occurred since the date of the Target Acquisition Agreement to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Group and such material adverse effect shall not have been caused;
- (d) the warranties given by Man Pou, Mr. Sin and Ms. Chen remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Target Acquisition Agreement and Completion;
- (e) the passing by the Shareholders at a special general meeting to be convened and held of an ordinary resolution to approve the Target Acquisition Agreement and the transactions contemplated hereunder, including but not limited to the issue of the Convertible Notes and the Consideration Shares, and the grant of the Call Option; and
- (f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares, the Consideration Shares and the Shares to be allotted and issued upon the exercise of the Call Option.

Conditions (a) to (d) are waivable by the Company under the Target Acquisition Agreement. The Company has no current intention to waive any of the conditions above. In particular, having regarded the importance of the legality and validity of the Profit Agreement and the transaction contemplated thereunder, the Company has no intention to waive condition (b) above. Conditions (e) to (f) are incapable of being waived by the Company. The Company will seek Shareholders' approval if any of the above conditions are to be waived. An application will be made by the Company to the Stock Exchange for the listing and permission to deal in the Conversion Shares, the Consideration Shares and Shares to be allotted and issued upon the exercise of the Call Option.

### **Completion**

Completion shall take place at 11:00 a.m. on the second Business Day after the last of the conditions of the Target Acquisition Agreement having been fulfilled or waived or such time as may be agreed between the Company, Mr. Sin and Ms. Chen.

Upon Completion, Right Gateway will be accounted for as a subsidiary of the Company and its financial result will be consolidated into the Group's financial statements. Right Idea will become a non-wholly owned subsidiary of the Company on Completion.

There is no currently no intention to appoint Mr. Sin and/or Ms. Chen as directors of the Company upon Completion.

### **Long-stop date**

The Target Acquisition Agreement provides that should the satisfaction of all the above conditions, if not waived by the Company, not occur on or before 31st December, 2006 or such other date as the parties may agree, the Target Acquisition Agreement shall terminate.

## **RISK FACTORS OF JUNKET BUSINESS**

There are the following risk factors in relation to the junket business operated by Man Pou:

- (1) The provision of junket business is competitive in general. There is no guarantee that the targeted customers of Man Pou will not be lured away by other junket operators.
- (2) The Rolling Turnover generated by Man Pou operating as a junket representative in the Casino relies on, among other factors, the attractiveness of the Casino to the prospective customers, Man Pou's ability to procure customers to the Casino, annual renewal of the gaming licence of Man Pou by the Macau Government, tenure of Man Pou acting as junket representative for the Casino under the Junket Representative Arrangement. There is no assurance that the Casino is always attractive. In the event that Man Pou ceases to be committed to the junket business or cease to be appointed as junket representative by the Casino, the junket business, and thereby the Profit to be paid to Right Idea, may be adversely affected. Moreover, if Man Pou fails to obtain the renewal of its junket licence from the Macau Government, it can no longer operate its junket business and no Profit can be paid to Right Idea as a result.
- (3) In the event that the Casino becomes the target for carrying out money laundering, the Rolling Turnover generated by Man Pou may be affected and/or interrupted.
- (4) The availability of the Profit relating to the Rolling Turnover generated by Man Pou at the Casino gaming rooms pursuant to the Junket Representative Arrangement heavily depends on the subsistence of the Junket Representative Arrangement and on whether the Junket Representative Arrangement can be successfully renewed. The Junket Representative Arrangement may or may not be renewed by the Casino at the expiry of the term of the Junket Representative Arrangement. In general, the term of agreement between the junket operator and the casino operator is tied with the term of the junket licence. Therefore, the term of the Junket Representative Arrangement can also be tied with the term of Man Pou's junket licence, which is valid for one year.
- (5) As the part of the Profit sourced from Rolling Turnover generated by Man Pou pursuant to the Junket Representative Arrangement, there is a risk that this part of the Profit will cease to be a source of the Profit if the Junket Representative Arrangement expires or the junket licence of Man Pou cannot be renewed.
- (6) The Junket Representative Arrangement may be terminated at any time by either party thereto.
- (7) The term of the Junket Representative Arrangement is substantially shorter than that of the Profit Agreement and may or may not be renewable upon expiry.
- (8) The Company is not a party to the Junket Representative Arrangement and therefore it has no control on the termination and the renewal of the Junket Representative Arrangement.
- (9) The junket licence of Man Pou granted by the Macau Government is subject to renewal annually.

(10) The Casino's licence may be revoked by the Macau Government.

## **TERMS OF THE CONVERTIBLE NOTES**

The terms of the Convertible Notes have been negotiated on an arm's length basis and the principal terms of which are summarised below:

### **Issuer**

The Company

### **Principal amount**

HK\$145,200,000

### **Interest**

The Convertible Notes will not carry interest whatsoever.

### **Maturity**

A fixed term of 10 years from the date of issue of the Convertible Notes. Unless previously redeemed, converted or cancelled in accordance with the Instrument, the Company shall redeem the outstanding principal amount of the Convertible Notes on the maturity date.

### **Conversion**

The noteholder shall be entitled to convert the Convertible Notes into Shares at any time after issue and vesting provided that the Company shall not allot and issue any Shares under the Convertible Notes and the Call Options if it may result in Mr. Sin and Ms. Chen, the noteholders and parties acting in concert with them being interested in 30% or more of the voting rights (or such amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers) as being the level for triggering mandatory general offer of all the Shares under the Hong Kong Code on Takeovers and Mergers. This is a strict prohibition from issuing of Shares by the Company.

### **Conversion Price**

The Conversion Price is HK\$1.10 per Conversion Share subject to standard anti-dilutive adjustments.

The adjustments for Conversion Price include the followings:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;

- (iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);
- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities;
- (vi) an issue of Shares wholly for cash at a price per Share which is less than 80% of the market price on the date of announcement of the terms of such issue; and
- (vii) an issue of Shares for the acquisition of assets at a total effective consideration per Share which is less than 80% of the market price of the date of the announcement of the terms of such issue.

The Company will issue an announcement in respect of any adjustment made to the Conversion Price.

The Conversion Price represents (i) a premium of approximately 17.02% to the closing price of HK\$0.94 per Share as quoted on the Stock Exchange on 25th July, 2006, being the last full trading day immediately prior to the date of the suspension of trading in the Shares; (ii) a premium of approximately 20.08% to the average of the closing prices of approximately HK\$1.61: per Share as quoted on the Stock Exchange for the last five trading days up to and including 25th July, 2006, being the last full trading day immediately prior to the date of the suspension of trading in the Shares; (iii) a premium of approximately 19.05% to the average of the closing prices of HK\$1.61: per Share as quoted on the Stock Exchange for the last ten trading days up to and including 25th July, 2006, being the last full trading day immediately prior to the date of the suspension of trading in the Shares; and (iv) a premium of approximately 5138% over the net asset value per Share of HK\$1.61: based on the audited consolidated management accounts of the Group as of 31st March, 2006.

The Conversion Price is arrived at after arm's length negotiation between the parties and is priced at a premium of approximately 20% to the average of the closing prices of HK\$1.61: per Share as quoted on the Stock Exchange for the last five trading days up to and including 25th July, 2006, being the last full trading day immediately prior to the date of the suspension of trading in the Shares and before the signing of the preliminary agreements.

### **Conversion Shares**

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Notes in the aggregate principal amount of HK\$145,200,000 at the Conversion Price by the noteholder, the Company will allot and issue an aggregate of 132,000,000 new Shares, which is the maximum number of Shares to be issued, representing approximately (i) 52.17% of the existing issued share capital of the Company; and (ii) 34.28% of the issued share capital of the Company as enlarged by the exercise of the conversion rights in full of the conversion rights attaching to the Convertible Notes. The Conversion Shares will be issued pursuant to the specific mandate to be sought at the SGM.

## Ranking

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue on the date of allotment and issue of such Conversion Shares.

## Status of the Convertible Notes

The Convertible Notes constitutes a direct, unconditional, unsubordinated and unsecured obligation of the Company and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

## Security Arrangement

As security for the adjustments (if any) to be made to the face value of the Convertible Notes, certificates to HK\$145,200,000 face value of the Convertible Notes will be placed with the Company's lawyers to be held in escrow and the face value of HK\$18,150,000 of the Convertible Notes will be released on the twelve Business Day after the end of each Quarter Period (subject to adjustment).

## Voting rights

The Convertible Notes does not confer any voting rights at any meetings of the Company.

## Cancellation of the Convertible Notes or deduction from the outstanding sum

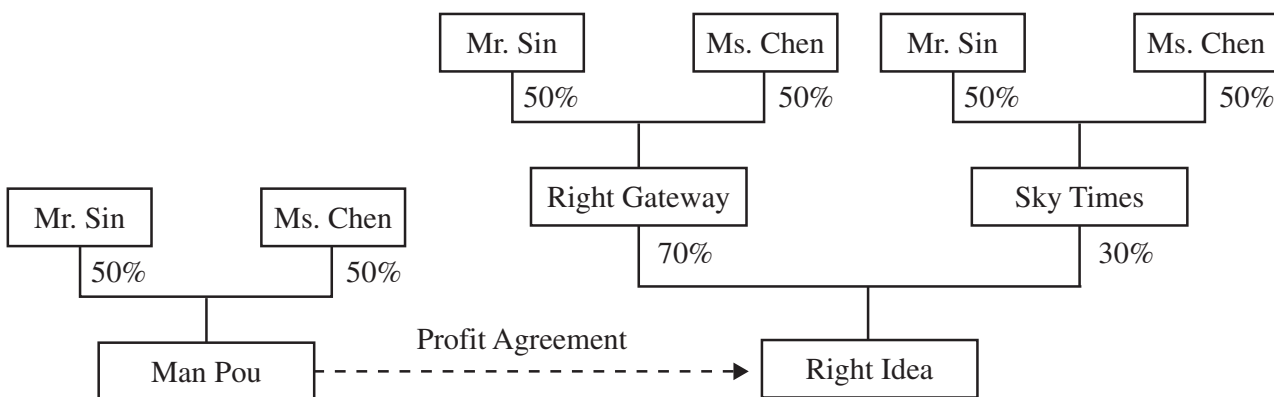
The Company has right to cancel the Convertible Notes or deduct the shortfall from the outstanding sum under the Convertible Notes if the relevant Quarterly Profit Guarantee is not met.

## Application for listing

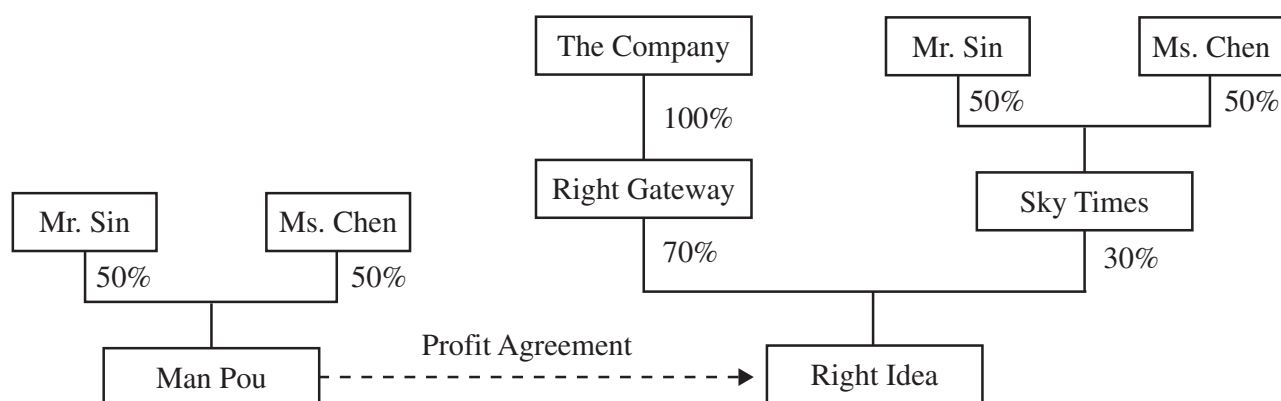
No application will be made by the Company for the listing of the Convertible Notes. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

## Shareholding structure of the relevant entities and the Company:

The diagram below shows the shareholding structure of the relevant entities immediately before Completion:



The diagram below shows the shareholding structure of the relevant entities immediately after Completion:



Following is the shareholding of the Company in different scenarios of the proposed Acquisition

*Existing shareholding*

Wide Fine <sup>+</sup>	132,500,000	52.37%
Lai Cho Wai <sup>*</sup>	22,000,000	8.69%
Noble Class <sup>Δ</sup>	14,000,000	5.53%
Public	84,530,000	33.41%
Total	<u>253,030,000</u>	<u>100%</u>

*Allotment and issue of the Consideration Shares*

Wide Fine <sup>+</sup>	132,500,000	43.73%
Lai Cho Wai <sup>*</sup>	22,000,000	7.26%
Noble Class <sup>Δ</sup>	14,000,000	4.62%
Public	84,530,000	27.89%
Mr. Sin	25,000,000	8.25%
Ms. Chen	25,000,000	8.25%
Total	<u>303,030,000</u>	<u>100%</u>

*Allotment and issue of Shares pursuant to full conversion of the Convertible Notes*

Wide Fine <sup>+</sup>	132,500,000	34.41%
Lai Cho Wai <sup>*</sup>	22,000,000	5.71%
Noble Class <sup>Δ</sup>	14,000,000	3.64%
Public	84,530,000	21.95%
Mr. Sin	66,000,000	17.14%
Ms. Chen	66,000,000	17.14%
Total	<u>385,030,000</u>	<u>100%</u>

*Allotment and issue of Shares assuming full exercise of the Call Option*

Wide Fine <sup>+</sup>	132,500,000	43.73%
Lai Cho Wai <sup>*</sup>	22,000,000	7.26%
Noble Class <sup>Δ</sup>	14,000,000	4.62%
Public	84,530,000	27.89%
Mr. Sin	25,000,000	8.25%
Ms. Chen	25,000,000	8.25%
	<hr/>	<hr/>
Total	<u>303,030,000</u>	<u>100%</u>

*Allotment and issue of the Consideration Shares and Shares pursuant to the full conversion of Convertibles Notes and the full exercise of the Call Option*

Wide Fine <sup>+</sup>	132,500,000	27.32%
Lai Cho Wai <sup>*</sup>	22,000,000	4.54%
Noble Class <sup>Δ</sup>	14,000,000	2.89%
Public	84,530,000	17.43%
Mr. Sin	116,000,000	23.92%
Ms. Chen	116,000,000	23.92%
	<hr/>	<hr/>
Total	<u>485,030,000</u>	<u>100%</u>

*Shareholding structure assuming Mr. Sin and Ms. Chen obtain the maximum number of Shares possible without incurring a general offer obligation and under strict prohibition*

Wide Fine <sup>+</sup>	132,500,000	36.67%
Lai Cho Wai <sup>*</sup>	22,000,000	6.09%
Noble Class <sup>Δ</sup>	14,000,000	3.87%
Public	84,530,000	23.39%
Mr. Sin	54,170,000	14.99%
Ms. Chen	54,170,000	14.99%
	<hr/>	<hr/>
Total	<u>361,370,000</u>	<u>100%</u>

**NB. Regardless of the issue of the Convertible Notes, the Call Option and the Consideration Shares, the Company shall not allot and issue Shares to Mr. Sin and/or Ms. Chen if Mr. Sin, Ms. Chen and parties acting in concert with them would hold 30% or more of the issued share capital of the Company. This is a strict prohibition on the allotment and issue of Shares by the Company.**

\* Directors of the Company

+ A Shareholder who acquired a 70.25% interest in the Company on 29th September, 2006 through the exercise of an option granted by Noble Class Group Limited to it in respect of 177,500,000 Shares.



- <sup>Δ</sup> Noble Class is a company whose share capital is controlled by Mr. Lau Chiu Pui, a director of the Company. This shareholding included 250,000 Shares held directly by Mr. Lau Chiu Pui.

## **INFORMATION OF THE TARGET GROUP**

### **Information of Right Gateway**

Right Gateway was incorporated on 23rd June, 2006 and is an investment holding company.

The main asset of Right Gateway is its 70% equity interest in Right Idea. According to the unaudited management accounts of Right Gateway, the total assets of Right Gateway as at 31st July, 2006 is HK\$780 and Right Gateway has no liability as at 31st July, 2006. There is no profit or loss recorded in the unaudited management accounts of Right Gateway for the period commencing on 23rd June, 2006 (the date of its incorporation) to 31st July, 2006.

### **Information of Right Idea**

Right Gateway owns 70% of the equity interest in Right Idea, a company incorporated in the British Virgin Islands on 23rd June, 2006. The remaining 30% equity interest of which is owned by Sky Times (wholly owned Mr. Sin and Ms. Chen in equal share). Mr. Sin and Ms. Chen became acquainted with the Company through the Emperor VIP Club at the Galaxy Casino in Macau. This is the VIP lounge where the Company has entered into a marketing agreement in July, 2005 and where Mr. Sin and Ms. Chen were agents for the junket operator. Mr. Sin and Ms. Chen have over 10 years experiences in the Macau Gaming industry. They have been working as junkets in various VIP lounges in Macau (including the Emperor VIP Club at the Galaxy Casino), responsible for introducing customers to the VIP lounge. Mr. Sin and Ms. Chen are founders of the Man Pou and have through Man Pou acted as the junket representative for Galaxy Casino at the Grand Waldo Hotel.

Man Pou is a company incorporated in Macau on 2nd March, 2006 and is wholly-owned by Mr. Sin and Ms. Chen as to 50% each. Mr. Sin and Ms. Chen, the founders of Man Pou, has over 10 years of experience in Asian gaming industry, including working as junkets in VIP lounges in various casinos in Macau. The junket business of Man Pou will be performed by Mr. Sin and Ms. Chen together with duly appointed agents of Man Pou. Save as disclosed above, Mr. Sin and Ms. Chen does not have any relationship with each other.

Man Pou has been appointed by the Casino as a junket representative since 16th May, 2006. So far as the Directors are aware, Man Pou is the only appointed junket representative at Jun Ying VIP Club. The Profit Agreement does not provide for the profit of other VIP Clubs to be included as part of the Profit and there is currently no intention for Man Pou to be a junket representative of the VIP Clubs. Acting as a junket representative at the Casino is the only track record that Man Pou has in respect of its operation as a junket representative. Other than being a junket representative, Man Pou does not engage in any other business. The licence granted to Man Pou for acting as a junket operator is valid for one year and is renewable. Man Pou's licence has been granted on 16th May, 2006 and is valid until 31st December, 2006. In relation to the requirements for obtaining a junket licence from the Macau Government, the licence can only be granted when the applicant is found to comply with the probity requirements. If the applicant is a corporate gaming operator, the probity requirements also apply to its shareholder with 5% or more of the share capital and its key employees. The applicant, when submitted an application request, has to produce, among other things, a questionnaire to

ascertain the probity of the applicant. To consider whether the applicant fulfill the probity requirement, the relevant authorities of the Macau Government will consider the information provided by the applicant in the questionnaire, including its corporate, business and financial information, information regarding its key employees and shareholders, judicial litigation and governmental investigation, bankruptcy and insolvency, its previous experience in junket business. The relevant authorities will also consider the information provided by the corporate applicant's shareholder with 5% or more of the share capital and key employees, including their personal and family background, their financial information and civil proceedings or criminal investigation that they may involve.

As a junket representative, being an independent contractor responsible for soliciting customers to casino, Man Pou is primarily responsible for directing gaming customers to the Casino and using its best endeavors to actively promote the Casino to existing and potential customers. It receives a commission on the Rolling Turnover from the Casino. The net profit it receives, after deducting commission paid by it to its agents, administrative expenses and tax payable to the Macau Government, is approximately 0.4% of the Rolling Turnover.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Right Idea, Mr. Sin and Ms. Chen and their ultimate beneficial owners, are Independent Third Parties and all of them are independent of and not connected with the Directors and their respective associates.

Other than the Profit Agreement, Right Idea does not have any assets or liabilities nor does it has any profit or loss recorded as at the date of the announcement. The auditors of the Company will have access to the Rolling Turnover figures generated by Man Pou and/or its customers at the Jun Ying VIP Club.

The board of directors of Right Idea will have three directors. The Group will appoint two directors to Right Idea. The Group will have control over the management of Right Idea as it owns 70% equity interests in Right Idea.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in the provision of marketing services to the gaming and entertainment industry, and providing IT consulting services in the Greater China Region.

Man Pou is among the first batch of junket representatives appointed by the Casino in 2006.

The Board has been actively exploring further suitable investment opportunities since the entering into of the management agreement in 14th July, 2005 by the Group in relation to the provision of management services to the Emperor VIP Club at the Galaxy Casino in Macau, given the Group has seen a turnaround in the profit. Given the vast opportunities in the Macau gaming industry, the Directors believe that through the Acquisition, the Group can broaden its revenue sources and obtain a stable source of income.

Due to the loosening of travel restrictions of mainland Chinese visitors, there is recent economic bloom in Macau. Also, the gaming activities of Macau are prosperous. Based on the statistics prepared by the Macau Government, the revenue generated by the gaming activities is growing steadily at an average growth rate of approximately 23% each year for the period between 2001 and 2005.

In view of the acquisition of the Profit by Right Idea, prior to the entry by the Company into the Target Acquisition Agreement, from Man Pou under the Profit Agreement, the recent economy blooming of the economy of Macau and the prospects of Macau's gaming business, the Directors believe that the Acquisition provide the Group with substantial and steady income stream. The Directors have indicated that the Group will continue to maintain its information technology business after Completion on a scale comparable to its present operation.

To ensure the Acquisition is fair and reasonable and to the interest of the Shareholders as a whole, (1) legal opinion has been sought to ensure that the gaming business participated by Man Pou is lawful that the arrangement under the Profit Agreement is lawful, that Man Pou has valid license to carry on the junket business and that Right Idea is not required to comply with Macau laws and regulations related to gaming as a result of its acquisition of the Profit; and (2) favourable terms, including Quarterly Profit Guarantees are also bargained from the counterparty so as to ensure a minimum of HK\$63,000,000 can be received by the Group under the Profit Agreement.

Taking into account the benefits of the Acquisition as described above, the Directors (including the independent non-executive Directors) are of the view that the Target Acquisition Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties, the terms of the Target Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Moreover, the independent non-executive Directors had thorough understanding of the arrangement between the junket operators and the casino operators from the research result mentioned in the sub-section headed "Consideration" under the section headed "The Target Acquisition Agreement". They knew that the Group is entitled to 70% of the Profit due to the Group's 70% equity interest in Right Idea, which holds the Profit. They also understand that the Profit is partially sourced from the Rolling Turnover generated by Man Pou pursuant to the Junket Representative Arrangement. However, taking into account the benefits of the Acquisition and considering the transaction as a whole, the independent non-executive Directors were of the view that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the relevant ratios as referred to in Chapter 19 of the GEM Listing Rules are 25% or more but less than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

Accordingly, the Acquisition is subject to, among other things, the approval by the Shareholders at the SGM. No Shareholder has an interest in the Acquisition and is required to abstain from voting at the SGM.

A circular containing, among other things, further information in respect of the Acquisition, together with the notice of the SGM will be despatched to the Shareholders in accordance with the GEM Listing Rules. The circular will contain additional disclosures as required under the Stock Exchange Gambling Guidelines.

## **IMPLICATIONS UNDER THE LAWS OF HONG KONG AND THE GEM LISTING RULES**

Shareholders should be aware that under the guidelines issued by the Stock Exchange in relation to “Gambling activities undertaken by listing applicants and/or listed issuers” dated 11th March, 2003, should the Group directly or indirectly be engaged in gambling activities and operation of such gambling activities (i) fail to comply with the applicable laws in the areas where such activities operate and/or (ii) contravene the Gambling Ordinance, the Company or its business may be considered unsuitable for listing under Rule 11.06 of the GEM Listing Rules, the Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the Shares. The Company will at all material times comply with these guidelines issued by the Stock Exchange.

In relation to the prevention of the money laundering activities, as both Man Pou and the Casino are respectively licensed to operate junket business and gaming business by the relevant authorities in Macau and the amount of bet/Rolling Turnover is properly registered by both Man Pou and the Casino, their gaming activities and businesses are subject to stringent control and regulation of the Macau Government. As their activities are under the regulation of the Macau Government, having conducted certain due diligence on the operations of Man Pou and obtained relevant legal opinion, the Directors believe that the activities they participate should be legal and lawful and thereby the income derived from these activities should also be lawful and proper.

Apart from relying on such stringent official control, the Company will also use its best endeavours to procure that effective internal control systems in place to make sure that the dividend distributed from Right Idea is derived from proper source, for instance, the Company will adopt the guideline set by the Hong Kong Monetary Authority in formulating anti-money laundering measures. The Company will also cross-check the Profit received or receivable with the original monthly junket representative settlement forms issued by the Casino to Man Pou. Further, the Company will from time to time obtain direct confirmation in respect of the Rolling Turnover generated by Man Pou from the Casino.

As an additional safeguard, the money remitted will also be routed through licensed Hong Kong banks which would exercise another level of anti-money laundering control.

Man Pou will assist the Casino to detect the suspicious transactions in combating money laundering activities. Such procedures include identifying and verifying the identity of customers through checking with their passport and identification card. CCTV surveillance system is also installed, which permits the review of suspicious transactions and the reconstruction of individual transaction of each customer.

Further information in relation to the internal control (ie. on, inter alia, the control of junket operation of Man Pou at the Casino) will be included in the circular to be dispatched.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 2:36 p.m. on 26th July, 2006 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 22nd August, 2006.

**Shareholders and/or investors should note that the proposed acquisition may or may not proceed given that there are numerous conditions precedent to be fulfilled and accordingly, Shareholders are therefore advised to exercise caution when trading in the Shares.**

## **DEFINITIONS**

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

“Acquisition”	the proposed acquisition of the Sale Shares on the terms contained in the Target Acquisition Agreement
“associates”	has the same meaning ascribed to such term under the GEM Listing Rules
“Board”	board of the Directors
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Call Option”	the option granted by the Company to Mr. Sin and Ms. Chen whereby Mr. Sin and Ms. Chen can require the Company to allot and issue up to 50,000,000 Shares to them at an exercise price of HK\$0.99 per Share (subject to adjustment)
“Casino”	Galaxy Casino at the Grand Waldo Hotel in Macau
“Company”	Long Success International (Holdings) Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the GEM of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Target Acquisition Agreement
“Consideration Shares”	50,000,000 Shares
“Connected Person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Convertible Notes”	convertible notes in the principal amount of HK\$145,200,000, to be issued by the Company in favour of Mr. Sin and Ms. Chen
“Conversion Price”	the initial conversion price of HK\$1.10 per Conversion Share, subject to adjustments, pursuant to the terms of the Convertible Notes
“Conversion Shares”	the Shares to be issued upon the exercise of the conversion rights in respect of the Convertible Notes

“Deed of Variation”	a deed of variation dated 17th August, 2006 varying the number of Call Option Shares from 100,000,000 to 50,000,000 in the Target Acquisition Agreement
“Director(s)”	director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, third parties who are independent of and not connected with the Company or connected persons of the Company
“Instrument”	an instrument constituting the Convertible Notes
“Jin Ying VIP Club”	one of the VIP gaming rooms in the Casino and currently has 6 gaming tables
“Junket Representative Arrangement”	the junket representative arrangement entered into between the Casino and Man Pou in relation to the appointment of Man Pou as a junket representative of the Casino
“Macau”	Macau Special Administrative Region of the PRC
“Non-negotiable Chips”	also known as rolling chips or dead chips. These chips cannot be converted into negotiable chips nor can they be redeemed for other goods and services. These chips can only be bet once in the designated gaming area in the Casino. If the customer loses, these chips go to the casino. If the customer wins, he or she is paid the winnings and the amount bet in negotiable chips. The design of these chips are different from the negotiable chips and hence, the dealers and the cashiers of the casino can readily recognize them from negotiable chips
“Man Pou”	Man Pou Gambling Promotion Company Limited, a company incorporated in Macau and is principally engaged in the junket representative business, an Independent Third Party
“Mr. Sin”	Mr. Sin Tim Iao, an Independent Third Party
“Ms. Chen”	Ms. Chen AnFeng, an Independent Third Party

“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau of the PRC and Taiwan
“Profit”	being 100% of the net profit of Man Pou which is estimated to be approximately 0.4% of the Rolling Turnover generated by Man Pou and/or its customers at the Jun Ying VIP Club and 100% of performance bonuses (if any) received by Man Pou
“Profit Agreement”	the agreement dated 27th July, 2006 entered into among Right Idea as a purchaser, Man Pou as a vendor and Mr. Sin and Ms. Chen as guarantors relating to the sale and purchase of a 100% interest in the Profit
“Quarter Period”	each three months period with the first quarter commencing on the first calendar month immediately following Completion
“Quarter Period Profit”	the Profit received and/or receivable by Right Idea for a Quarter Period
“Quarterly Profit Guarantee”	the guarantee provided by Man Pou, Mr. Sin and Ms. Chen that the Profit for each Quarter Period shall not be less than HK\$11,250,000
“Right Idea”	Right Idea Investments Limited, a company incorporated in the British Virgin Islands
“Right Gateway”	Right Gateway Limited, a company incorporated in the British Virgin Islands
“Rolling Turnover”	the value of Non-negotiable Chips bet by the customers that the junket operator brings into the casino.
“Sale Shares”	100 ordinary shares, being the entire issued share capital of Right Gateway
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Sky Times”	Sky Times Investment Limited, a company incorporated in the British Virgin Islands and is wholly owned by Mr. Sin and Ms. Chen in equal share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Acquisition Agreement”	the conditional sale and purchase agreement dated 27th July, 2006 entered into among the Company as purchaser and Mr. Sin and Ms. Chen as vendors relating to the sale and purchase of the Sale Shares
“Target Group”	Right Gateway, its subsidiaries and associates from time to time
“Wide Fine”	Wide Fine International Holdings Limited, a substantial shareholder of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States of America dollars
“%”	per cent.

By order of the Board of  
**Long Success International (Holdings) Limited**  
**Wong Kam Leong**  
*Chairman*

Hong Kong, 21st August, 2006

*As at the date hereof, the executive Directors are Mr. Wong Kam Leong, Mr. Lau Chiu Pui, Mr. Lai Cho Wai and Mr. Ma Chon; and the independent non-executive Directors are Mr. Jeong Meng Wa, Mr. Ng Kwok Chu, Winfield and Mr. Ng Chau Tung, Robert.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:*

- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading;*
- (2) there are no other matters the omission of which would make any statement in this announcement misleading; and*
- (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will appear and remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting.*