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LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

百齡國際（控股）有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8017)

CONTINUING CONNECTED TRANSACTIONS

Financial Adviser



**WALLBANCK BROTHERS
Securities (Hong Kong) Limited**

Reference is made to the Announcement and the Acquisition as disclosed therein. Unless otherwise stated terms used herein shall have the same definitions as ascribed thereto in the Announcement.

The Board announces that, on 26 May 2010, the Joint Venture Company, of which the Company shall hold 60% equity interest through the BVI Company, subject to Shareholders' approval to be sought, and the PRC Partner entered into the Master Agreement for a period of three years from the date the conditions precedent set out in the paragraph headed "Conditions Precedent" having been satisfied, whereby the Joint Venture Company has agreed to supply to the PRC Partner the Products.

Upon Completion, the Joint Venture Company will be owned as to 40% by the PRC Partner and 60% by the Company through the BVI Company and become an indirect wholly-owned subsidiary of the Company. The PRC Partner is therefore the controlling shareholder of the Joint Venture Company. As the PRC Partner is a connected person as defined under the GEM Listing Rules, accordingly the entering into of the Master Agreement shall constitute a continuing connected transaction of the Company. As either the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of each of the Annual Caps will be more than 2.5%, or the annual consideration will be more than HK\$10,000,000, the Continuing Connected Transaction and the Annual Cap, pursuant to Rules 20.35 of the GEM Listing Rules, are subject to reporting and announcement requirements as set out in Rules 20.45 to 20.47 of the GEM Listing Rules, as well as Independent Shareholders' approval requirement under Rule 20.48 of the GEM Listing Rules.

An Independent Board Committee will be established to advise the Independent Shareholders in relation to the Continuing Connected Transaction and the Annual Cap. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the transactions under the Master Agreement and the annual caps relating thereto are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

A circular containing, *inter alia*, further details of the Continuing Connected Transaction, the letter from Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with the notice of the SGM, will be dispatched to the Shareholders as soon as practicable.

INTRODUCTION

Reference is made to the Announcement and the Acquisition as disclosed therein.

In order to exercise better control on transactions in relation to the supply of the Products between the member of the Group and the PRC Partner and achieve the profit guarantee as set out in the Announcement in connection with the Acquisition, the Board announces that, on 26 May 2010, the Joint Venture Company, in which the Company shall hold 60% equity interest through the BVI Company, subject to Shareholders' approval to be sought, and the PRC Partner entered into the Master Agreement for a period of three years from the date the conditions precedent set out in the paragraph headed "Conditions Precedent" having been satisfied, whereby the Joint Venture Company has agreed to supply to the PRC Partner the Products.

Set out below are details of the Master Agreement:

THE MASTER AGREEMENT

Date

26 May 2010

Parties

- (i) the Joint Venture Company, as supplier; and
- (ii) the PRC Partner, as purchaser

The PRC Partner is the holder of 40% equity interest in the Joint Venture Company to be acquired by the Group on the terms and subject to the conditions of the Acquisition Agreement as disclosed in the Announcement.

Pursuant to the Acquisition Agreement, the Purchaser, a wholly owned subsidiary of the Company, shall acquire 60% equity interest in the Joint Venture Company. Upon Completion, the Joint Venture Company shall become an indirect wholly-owned subsidiary of the Company. Accordingly, the Master Agreement shall constitute a continuing connected transaction of the Company.

Subject matter

Pursuant to the Master Agreement, the Joint Venture Company has agreed to supply and the PRC Company has agreed to purchase the Products in such quantities as will be produced by the Joint Venture Company, at such prices and on and subject to the terms as set out in the Master Agreement for a period of three years from the date the conditions precedent are satisfied.

Conditions Precedent

The Master Agreement is conditional on and shall only be effective upon (i) the passing of an ordinary resolution by the Shareholders, or Independent Shareholders, where appropriate, at the SGM to be held by the Company for the approval of the Continuing Connected Transaction and the Annual Caps; (ii) the passing of the resolutions for the approval of the Master Agreement by the shareholders of the Joint Venture Company and the PRC Partner respectively; and (iii) the Completion.

Pricing Basis

Under the Master Agreement, the price for the Products shall be determined in accordance with the relevant prevailing market price at the time purchase order is placed by the PRC Partner.

Proposed Annual Caps

The Annual Caps for the transactions contemplated under the Master Agreement for the period of three years are set out below:

	Year		
	1st	2nd	3rd
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	('000,000)	('000,000)	('000,000)
Annual Caps for the supply of Products	35	100	100

In arriving at the Annual Caps, the Directors have taken into account the following factors:

- (i) the profit guarantee as given by the Vendor in relation to the Acquisition; and
- (ii) the estimated growth of the demand for the Products

The Directors consider that the supply of the Products will be provided on normal commercial terms (or on terms no less favourable to the Group than those offered by Independent Third Parties) and the total value (in terms of revenue recognition) of the supply of the Products provided under the Master Agreement for each of the three years shall not exceed the respective Annual Caps.

Reasons for entering into the Master Agreement

The Directors are of the view that the Master Agreement enables (i) the Group to achieve the guaranteed profits as given by the Vendor in relation to the Acquisition; and (ii) the Group to have the PRC Partner as a stable customer of the Products and in its ordinary course of business on market prices and on normal commercial terms.

The Directors (excluding the independent non-executive Directors whose views will be expressed in the circular regarding the Continuing Connected Transaction to be despatched to the Shareholders) are of the view that (i) the terms of the Master Agreement (a) have been negotiated on an arm's length basis; (b) will be conducted on normal commercial terms, or on terms no less favourable to the Group than those available to or from Independent Third Parties under prevailing local market conditions; (c) are entered into in the ordinary and usual course of business of the Group (after Completion); and (d) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) that the Annual Caps for the three years are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group will comply with the annual review requirements under Rules 20.37 and 20.38 of the GEM Listing Rules in respect of the Continuing Connected Transaction and will re-comply with the relevant GEM Listing Rules if the Annual Cap is exceeded or, when the relevant agreements are renewed or, when there is a material change to the terms of the Continuing Connected Transaction.

INFORMATION OF THE PARTIES TO THE CONTINUING CONNECTED TRANSACTIONS

The Group

The Group is principally engaged in sales of paper products, sharing of profits of a junket representative of a VIP lounge of a casino in Macau; provision of money lending services; and sales of customerised software and related computer equipment and provision of technical support.

The Group, through the Purchaser, shall acquire and hold 60% equity interest in the Joint Venture Company upon Completion.

The Joint Venture Company

The Joint Venture Company was incorporated in the PRC with limited liability on 11 February 2010. As at the date of this announcement, the Joint Venture Company is owned as to 60% by the BVI Company and 40% by the PRC Partner.

The Joint Venture Company is principally engaged in the development, production and sales of biodegradable resin and its related products. The Joint Venture Company has entered into the Patent License Agreement in relation to the Intellectual Property with the PRC Partner.

Upon Completion, the Joint Venture Company will become an indirect non wholly-owned subsidiary of the Company and the accounts of the Joint Venture Company will be consolidated into the accounts of the Company. On or before 30 September 2010, the unaudited aggregate value of the capital (including assets) to be injected and transferred to the Joint Venture Company is expected to be approximately HK\$132.6 million (equivalent to US\$17,000,000) (subject to due diligence and confirmation). The Joint Venture Company has not been in full operation.

The PRC Partner

To the best of the Directors' knowledge, information and belief, the PRC Partner was incorporated in the PRC with limited liability on 28 December 1999 and is also engaged, among others, in the research, production and sales of biodegradable resin.

Pursuant to the Acquisition Agreement, the Purchaser, a wholly owned subsidiary of the Company, shall acquire 60% equity interest in the Joint Venture Company. Upon Completion, the Joint Venture Company will be owned as to 40% by the PRC Partner and 60% by the Company through the BVI Company and become an indirect wholly-owned subsidiary of the Company. The PRC Partner is therefore the controlling shareholder of the Joint Venture Company. As the PRC Partner is a connected person as defined under the GEM Listing Rules, accordingly the entering into of the Master Agreement shall constitute a continuing connected transaction of the Company.

Listing Rules Implications

As either the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of each of the Annual Caps will be more than 2.5%, or the annual consideration will be more than HK\$10,000,000, the Continuing Connected Transaction and the Annual Cap, pursuant to Rules 20.35 of the GEM Listing Rules, are subject to reporting and announcement requirements as set out in Rules 20.45 to 20.47 of the GEM Listing Rules, and are subject to Independent Shareholders' approval requirement under Rule 20.48 of the GEM Listing Rules.

Each year the independent non-executive Directors must review the Continuing Connected Transaction and confirm in the annual report and accounts that the transaction has been entered into in the ordinary and usual course of business, on normal commercial terms or on terms no less favourable to the Group than terms available to or from Independent Third Parties, and the terms are fair and reasonable and in the interests of the Shareholders as a whole in accordance with Rule 20.37 of the GEM Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the Continuing Connected Transaction and the Annual Cap. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the transactions under the Master Agreement and the annual caps relating thereto are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Any connected person and Shareholders, together with their respective associates with a material interest in the transactions contemplated under the Master Agreement shall abstain from voting in respect of the relevant resolutions. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, the PRC Partner, its ultimate beneficial owners and their respective associates do not hold any Shares and no Shareholders are materially interested in the Continuing Connected Transactions. As such, no Shareholders are required to abstain from the voting at the SGM in respect of the Continuing Connected Transactions and the Annual Caps.

GENERAL

A circular containing, *inter alia*, further details of the Continuing Connected Transaction, the letter from Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with the notice of the SGM, will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Acquisition”	the acquisition of 100% equity interest in the BVI Company by the Purchaser from the Vendor on the terms and subject to the conditions set out in the Acquisition Agreement
“Acquisition Agreement”	the share transfer agreement dated 26 March 2010 entered into between the Purchaser and the Vendor in relation to the Acquisition

“Announcement”	the announcement issued on 26 March 2010 by the Company in relation to the Acquisition
“Annual Caps”	The annual maximum total amount of the transactions contemplated under the Master Agreement for each of the three years
“Board”	the board of Directors
“BVI Company”	Ever Stable Holdings Limited (永順控股有限公司), an investment holding company, incorporated in the BVI with limited liability
“Company”	Long Success International (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the GEM
“Completion”	the completion of the Acquisition
“Continuing Connected Transaction”	the continuing connected transactions contemplated under the Master Agreement
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprises Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert, Mr. Tse Ching Leung and Mr. Wang Qingyi, the four independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the Continuing Connected Transaction
“Independent Shareholders”	Shareholders other than the PRC Partner, its ultimate beneficial owners and its associates

“Independent Third Parties”	such person(s) who is(are) independent of and not connected nor acting in concert with the Directors, chief executive, management shareholders or substantial shareholders of the Company or its subsidiaries, or any of their respective associates, or parties acting in concert with any of them
“Intellectual Property”	<p>the two patents registered under PRC patent numbers ZL200610035466.0 and ZL01144447.9 in relation to biodegradable resin as licensed by the PRC Partner to the Joint Venture Company pursuant to the Patent License Agreement.</p> <p>The validity periods of the said two patents are from 16 May 2006 to 15 May 2026 and from 18 December 2001 to 17 December 2020 respectively</p>
“Joint Venture Company”	東莞九禾生物塑料有限公司(Dongguang Jiu He Bioplastics Company Limited), a sino-foreign equity joint venture incorporated in the PRC with limited liability
“Master Agreement”	an agreement dated 26 May 2010 entered into between the Joint Venture Company and PRC Partner for the supply of the Products
“Patent License Agreement”	the patent license agreement entered into between the Joint Venture Company and the PRC Partner dated 11 February 2010 in relation to the Intellectual Property
“PRC”	the People’s Republic of China
“PRC Partner”	廣東上九生物降解塑料有限公司(Guangdong Shangjiu Biodegradable Plastics Company Limited), a company incorporated in the PRC with limited liability and holds 40% equity interest in the Joint Venture Company
“Products”	the biodegradable resin and its related products, which apply and utilize the Intellectual Property
“Purchaser”	Fast Rise Development Limited, a company incorporated in the BVI with limited liability and is wholly owned by the Company
“RMB”	Renminbi, the lawful currency of the PRC

“SGM”	a special general meeting of the Company to be convened to consider and, if thought fit, approve by the Shareholders, among other things, the Master Agreement and the Continuing Connected Transaction contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.04 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mr. Leung Wa, a Hong Kong citizen
“%”	per cent.

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

Hong Kong, 26 May 2010

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Wong Kam Leong, Mr. Hu Dongguang, Mr. Wu Bingxiang, Ms. Li Jie Yi and Dr. Guo Wanda; one non-executive director, namely Mr. Zhang Chi; and four independent non-executive directors, namely Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert, Mr. Tse Ching Leung and Mr. Wang Qingyi.

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: (i) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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 remain on the “Latest Company Announcements” page of the GEM website for 7 days from the date of its publication.

* For identification purpose only

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese names shall prevail.