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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)

### **PROFIT GUARANTEE**

Reference is made to the Announcements and the Circular of the Company in relation to the very substantial acquisition concerning the acquisition of the entire equity interest in the Hong Kong Company.

The Board announces that the actual audited consolidated net profit after taxation of the Joint Venture Company for the financial year ended 31 December 2010 was RMB4.32 million. As the Profit Guarantee of RMB60 million has not been met, the New Vendor is obliged to compensate the Purchaser the amount of the Shortfall in proportion to its 51% equity interest in the Joint Venture Company at the amount of RMB28.39 million (equivalent to approximately HK\$32.88 million), pursuant to the terms and conditions of the Acquisition Agreement.

Pursuant to the Second Confirmation Letter dated 31 March 2011, the Purchaser has agreed that the Shortfall amount of HK\$22,000,000, representing approximately 67% of the Shortfall, shall be compensated by way of set off against the Convertible Bonds. The outstanding amount of the Shortfall will be aggregated into and increase the Profit Guarantee, without interest, for the financial year ended 31 December 2011.

Reference is made to the announcements of the Company dated 11 August 2008, 23 January 2009, 12 February 2009, 31 March 2009, 15 April 2009, 2 July 2009 (the “**Announcements**”) and the circular of the Company dated 14 May 2009 (the “**Circular**”) in relation to the very substantial acquisition concerning the acquisition of the entire equity interest in the Hong Kong Company.

Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements and the Circular, unless the context herein requires otherwise.

## INTRODUCTION

Pursuant to the Acquisition Agreement, the New Vendor has undertaken to provide profit guarantees of not less than RMB60 million profits after tax on the Joint Venture Company (the “**Profit Guarantee**”) for each of the two years ended 31 December 2010 and 2011, respectively. The accounting standard to be adopted for calculating the Profit Guarantee of RMB60 million shall be based on generally accepted accounting principles in the PRC.

If the Joint Venture Company fails to meet the aforesaid Profit Guarantee for any of the two years ended 31 December 2010 and 2011 respectively, the New Vendor shall pay the Purchaser a compensation equivalent to the shortfall of the Profit Guarantee for that year in proportion to 51% equity interest in the Joint Venture Company (the “**Shortfall**”).

The Shortfall will be settled on a dollar to dollar basis. The Purchaser has the right to choose the way of settlement of compensation by the Convertible Bonds, the Promissory Notes or cash.

Pursuant to the Acquisition Agreement, the Company had issued Convertible Bonds of HK\$40,000,000 to the New Vendor to settle part of the Consideration. Pursuant to the Confirmation Letter dated 17 April 2009, the Convertible Bonds to be issued to the New Vendor or his nominee(s) will be held in escrow by the legal adviser of the Company until the New Vendor has completed the capital injection of the Joint Venture Company, up to an amount in proportion to the 51% equity interest in Joint Venture Company of the registered capital of US\$28 million.

Pursuant to the Acquisition Agreement, on 16 November 2010, the New Vendor has already paid up the registered capital of US\$14,280,000 to the Joint Venture Company, in due fulfillment and satisfaction of its obligations as stipulated under the Acquisition Agreement.

## THE SECOND CONFIRMATION LETTER DATED 31 MARCH 2011

The Board announces that the actual audited consolidated net profit after taxation of the Joint Venture Company for the financial year ended 31 December 2010 was RMB4.32 million. As the Profit Guarantee of RMB60 million has not been met, the New Vendor is obliged to compensate the Purchaser the amount of the Shortfall in proportion to its 51% equity interest in the Joint Venture Company at the amount of RMB28.39 million (equivalent to approximately HK\$32.88 million), pursuant to the terms and conditions of the Acquisition Agreement.

Pursuant to the confirmation letter dated 31 March 2011 (the “**Second Confirmation Letter**”), the Purchaser has agreed that the Shortfall amount of HK\$22,000,000, representing approximately 67% of the Shortfall, shall be compensated by way of set off against the Convertible Bonds. The outstanding amount of the Shortfall will be aggregated into and increase the Profit Guarantee, without interest, for the financial year ended 31 December 2011.

## **REASONS FOR ENTERING INTO THE SECOND CONFIRMATION LETTER DATED 31 MARCH 2011**

The Company holds the view that the reasons for the failure to fulfil the Profit Guarantee were due to the increase of fuel prices, the volatility of recovered paper prices and the delay in the completion of the two new production lines for high profit margin products.

The Directors (including the independent non-executive Directors) consider that the terms of the Second Confirmation Letter are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

*An exchange rate of RMB0.86356 to HK\$1.00 has been adopted as the conversion rate of RMB into HK\$ for the purpose of this announcement. Such exchange rate does not constitute a representation that any amounts have been, could have been, or may be exchanged at such or any other rates.*

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

Hong Kong, 31 March 2011

*As at the date hereof, the four executive Directors are Mr. Wong Kam Leong, Mr. Hu Dongguang, Mr. Wu Bingxiang and Dr. Guo Wanda, one non-executive director, namely Mr. Zhang Chi; and four independent non-executive Directors are 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement or this announcement misleading or deceptive.*

*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*