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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)

**CONFIRMATION LETTER
IN RELATION TO 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.

On 28 June 2012 (after trading hours), the Company and the New Vendor entered into the Fourth Confirmation Letter in relation to the Profit Guarantee. According to the Joint Venture Company, the aggregate net profit after tax for the financial years ended 31 December 2010 and 2011 were affected by the increase in the market price of the raw materials due to the reduction and withdrawal of government subsidies provided to the waste paper supplier, the reduction and withdrawal of purchase rebate, the increase in the price of electricity and the cost of steam generation. These factors, together, reduced aggregate net profit after tax by RMB47,850,718, of which, RMB24,403,866 (equivalent to approximately HK\$30,146,096) is attributable to the Company. Pursuant to the Fourth Confirmation Letter, the Company and the New Vendor have mutually agreed that the Profit Reduction Factors are force majeure events, which are not predictable and avoidable, and have agreed to set off the Profit Guarantee Shortfall Balance of HK\$31,602,530 against the Profit Reduction of HK\$30,146,096. The remaining balance of HK\$1,456,434 shall be payable by the New Vendor within one month from the date of the Fourth Confirmation Letter.

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, 3 June 2009, 2 July 2009, 31 March 2011 and 3 October 2011 (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

On 30 September 2009, the Company had issued the Convertible Bonds in the principal amount of HK\$40,000,000 to the New Vendor or his nominee(s) as partial settlement of the Consideration pursuant to the Acquisition Agreement as amended by the Supplemental Agreement. The maturity date of the Convertible Bonds was 29 September 2011. The New Vendor had undertaken to provide profit guarantees of not less than RMB60,000,000 profit after tax on the Joint Venture Company for each of the two years ended 31 December 2010 and 2011.

If the Joint Venture Company fails to meet the Profit Guarantee for any of the two years ended 31 December 2010 and 2011, 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. If the Joint Venture Company records a loss for any of the two years ended 31 December 2010 and 2011, the New Vendor shall pay the Purchaser a compensation equivalent to the loss in proportion to 51% equity interest in the Joint Venture Company for that year plus RMB30,600,000 (being the compensation for 51% of the shortfall of the Profit Guarantee) for that year.

Since the Profit Guarantee was not met in the financial year ended 31 December 2010, the Purchaser and the New Vendor entered into the Second Confirmation Letter on 31 March 2011, pursuant to which the Purchaser agreed that the shortfall amount of HK\$22,000,000 was compensated by way of set off against the Convertible Bonds. The remaining balance of the Shortfall was aggregated into the Profit Guarantee, without interest, for the financial year ended 31 December 2011 (the “**2011 Profit Guarantee**”).

On 3 October 2011, the Company and the New Vendor entered into the Third Confirmation Letter pursuant to which (i) the conversion rights attached to the Convertible Bonds had expired on 29 September 2011 according to the terms and conditions of the Convertible Bonds; (ii) the principal amount of the Convertible Bonds of HK\$18,000,000 shall remain as liabilities of the Company and the repayment date of the Bonds Liabilities shall be adjusted to 31 March 2012 (or such later date as the parties may mutually agree in writing) without interest; and (iii) if the Joint Venture Company fails to meet the 2011 Profit Guarantee, the New Vendor shall compensate the Purchaser with the shortfall of the 2011 Profit Guarantee by way of set off against the Bonds Liabilities up to the amount of HK\$18,000,000.

For the financial year ended 31 December 2011, the audited net profit after tax of the Joint Venture Company of RMB2,025,731 did not fulfill the Profit Guarantee of RMB60,000,000. According to the confirmation letter dated 31 March 2011 and the terms and conditions of the Acquisition Agreement, the New Vendor shall compensate the Purchaser for the remaining balance of the shortfall of the Profit Guarantee for the financial year ended 31 December 2010 together with the shortfall of the Profit Guarantee for the financial year ended 31 December 2011 in proportion to 51% equity interest in the Joint Venture Company amounting to RMB40,154,238 (equivalent to approximately HK\$49,602,530).

According to the confirmation letter dated 29 March 2012, the Company agreed to set off the shortfall of HK\$18,000,000 against Bonds Liabilities as the compensation. After deduction of the amount of HK\$18,000,000 settled by Bonds Liabilities, the remaining amount of the said shortfall from the 2011 Profit Guarantee is HK\$31,602,530 (the “**Profit Guarantee Shortfall Balance**”).

THE FOURTH CONFIRMATION LETTER DATED 28 JUNE 2012

On 28 June 2012 (after trading hours), the Company and the New Vendor entered into a confirmation letter (the “**Fourth Confirmation Letter**”) in relation to the Profit Guarantee. According to the Joint Venture Company, the aggregate net profit after tax for the financial years ended 31 December 2010 and 2011 were affected by the increase in the market price of the raw materials due to the reduction and withdrawal of government subsidies provided to the waste paper supplier, the reduction and withdrawal of purchase rebate, the increase in the price of electricity and the cost of steam generation (the “**Profit Reduction Factors**”). These Profit Reduction Factors, together, reduced aggregate net profit after tax by RMB47,850,718, of which, RMB24,403,866 (equivalent to approximately HK\$30,146,096) is attributable to the Company (the “**Profit Reduction**”).

The Company and the New Vendor mutually agreed that the Profit Reduction Factors are force majeure events which are not predictable nor avoidable. Pursuant to Acquisition Agreement, no party shall be liable for failure or delay performing of the contractual obligations due to the force majeure events. The Company and the New Vendor have agreed to set off the Profit Guarantee Shortfall Balance of HK\$31,602,530 against the Profit Reduction of HK\$30,146,096. The remaining balance of HK\$1,456,434 shall be payable by the New Vendor within one month from the date of the Fourth Confirmation Letter.

REASONS FOR ENTERING INTO THE FOURTH CONFIRMATION LETTER DATED 28 JUNE 2012

The Company and the New Vendor both agreed and held the view that the failure to fulfill the Profit Guarantee was due to factors that were unexpected and beyond the control of the Joint Venture Company, the New Vendor and the Company.

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

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

Hong Kong, 28 June 2012

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Wong Kam Leong, Mr. Wu Shaohong, Mr. Hu Dongguang, Mr. Wu Bingxiang and Dr. Guo Wanda; 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, the information contained in this announcement is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

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*