

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.



China LotSynergy Holdings Limited

華彩控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 8161)

RENEWAL OF CONTINUING CONNECTED TRANSACTION

Reference is made to the April 2006 Announcement under which the Board announced that ChinaSteel, a subsidiary of the Company in which the Company indirectly holds a 50% interest and controls its board of directors, placed the Deposit with the Financial Institution which constituted a continuing connected transaction for the Company under the GEM Listing Rules.

It is the intention of the directors of ChinaSteel to continue to place the Deposit for one year from 1 January 2008 to 31 December 2008 as a saving deposit with the Financial Institution or until completion of the certain liquidation procedures of ChinaSteel, whichever is the earlier, pursuant to the Deposit Agreement.

The Financial Institution is a connected person of the Company as it is an associate of a substantial shareholder of ChinaSteel, namely Minmetals Development Company Ltd. who holds 50% interest in ChinaSteel. As such, the entering into of the Deposit Agreement constitutes a continuing connected transaction for the Company under the GEM Listing Rules. As the applicable percentage ratios for the CCT does not exceed 2.5%, the CCT satisfies the exemption under Rule 20.34(1) of the GEM Listing Rules, and is only subject to the reporting and announcement requirements under Rules 20.45 to 20.47 of the GEM Listing Rules.

Reference is made to the April 2006 Announcement under which the Board announced that ChinaSteel, a subsidiary of the Company in which the Company indirectly holds a 50% interest and controls its board, placed the Deposit with the Financial Institution since 3 June 2002. At the beginning, the Deposit was placed with the Financial Institution as fixed deposit for an initial term of seven days and was extended to one year since 5 January 2004 to 4 January 2006. ChinaSteel had switched the Deposit from a fixed deposit to a saving deposit since 5 January 2006. In the April 2006 Announcement, the Company stated that the Deposit would continue to be placed with the Financial Institution at the prevailing interest rate of the PBC pending the completion of the voluntary liquidation of ChinaSteel.

It is the intention of the directors of ChinaSteel to continue to place the Deposit for one year from 1 January 2008 to 31 December 2008 as a saving deposit with the Financial Institution or until completion of the liquidation procedures above-mentioned, whichever is the earlier, pursuant to the Deposit Agreement. As advised by the PRC lawyers to the Company, ChinaSteel is required to complete the voluntary liquidation process in accordance with the Measures, the PRC Joint Venture Law and the PRC Company Law, and the placing of the Deposit with the Financial Institution is not contrary to the Measures, the PRC Joint Venture Law and the PRC Company Law. The voluntarily liquidation of ChinaSteel is due to the change in the principal business of the Group from the provision of metal exchange portals for metal trading and ancillary value-chain services, provision of consultancy and logistics services and application software development services to the provision of technologies and equipment as well as consultancy services in public welfare lottery related business in China, and ChinaSteel was initially established for pursuing the internet metals trading business.

Due to unexpected delay in the administrative process, the Directors expect that the liquidation process will complete in the first half of 2008 instead of before the end of 2007. Upon completion of the liquidation process of ChinaSteel, the Deposit together with interest thereon will be withdrawn from the Financial Institution and will be distributed equally between the joint venture parties to ChinaSteel, after payments of all debts and expenses of liquidation, if any.

THE CONTINUING CONNECTED TRANSACTION

The principal terms of the Deposit are as follows:

Date of continuing the placing : 1 January 2008
of the Deposit

Deposit Amount : RMB16 million (HK\$16.96 million)

Interest Rate : The prevailing interest rate of the PBC from time to time for saving deposits

The CCT has been, and will continue to be, carried out in the ordinary and usual course of business and on normal commercial terms. Based on the historical amounts of the CCT for the previous years, the Directors estimate that the annual cap of the Deposit for the one year ending 31 December 2008 will not exceed RMB16 million (HK\$16.96 million).

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION

As stated in the April 2006 Announcement, the Deposit has been placed with the Financial Institution since June 2002. In order to respect the intention of the joint venture partner (i.e. the other shareholder of ChinaSteel) to keep the Deposit with the Financial Institution; and in view of the commencement of the voluntary liquidation of ChinaSteel where its assets should be preserved pending completion of such process; and as the scope of business of the Financial Institution is to, amongst other things, provide deposit-taking services to other members of the group and not any other entities, the Directors consider that it is in the interest of the Company to continue to place the Deposit with the Financial Institution pursuant to the Deposit Agreement instead of with other PRC banks because the Financial Institution tends to be more efficient in terms of processing transactions and settling funds between the accounts of members of its group held with the Financial Institution than other PRC banks that perform the similar services and unnecessary new transactions relating to funds transfer from ChinaSteel to other PRC banks thereby incurring transaction costs pending completion of the liquidation process could be avoided.

The Directors, including the independent non-executive Directors, are of the view that the CCT is in the ordinary and usual course of business of the Group; and the terms of the CCT are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

COMPLIANCE WITH THE GEM LISTING RULES

The Financial Institution is a connected person of the Company as it is an associate of a substantial shareholder of ChinaSteel, namely Minmetals Development Company Ltd. who holds 50% interest in ChinaSteel. As such, the entering into of the Deposit Agreement constitutes a continuing connected transaction for the Company under the GEM Listing Rules. As the applicable percentage ratios for the CCT do not exceed 2.5%, the CCT satisfies the exemption under Rule 20.34 (1) of the GEM Listing Rules, and is only subject to reporting and announcement requirements under Rules 20.45 to 20.47 of the GEM Listing Rules.

GENERAL INFORMATION

The Group is principally engaged in investment, project development and the provision of technologies and equipments and consultancy services in the public welfare lottery business and related sectors in China.

The Financial Institution is a registered financial institution in the PRC, the scope of business of which includes, amongst other things, the taking of deposits from other members of its group.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

"April 2006 Announcement"	the announcement made by the Company dated 13 April 2006
"associates"	has the meaning ascribed in the GEM Listing Rules
"Board"	the board of Directors of the Company
"ChinaSteel"	北京威銘商網資訊技術有限公司 (ChinaSteel.com Corporation Limited), a company incorporated in the PRC and in the process of voluntary liquidation, and a subsidiary of the Company
"Company"	China LotSynergy Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on GEM
"CCT"	the continuing connected transaction contemplated under the Deposit
"Deposit"	a deposit of a principal sum of RMB16 million (HK\$16.96 million) placed by ChinaSteel with the Financial Institution
"Deposit Agreement"	a deposit agreement between ChinaSteel and the Financial Institution in a form of statement issued by the Financial Institution to ChinaSteel with respect to the Deposit
"Director(s)"	the director(s), including the independent non-executive director(s), of the Company
"Financial Institution"	五礦集團財務有限責任公司 (Minmetals Finance Company Limited), a registered financial institution in the PRC, which is a connected person of the Company as it is an associate of a substantial shareholder of ChinaSteel
"GEM"	the Growth Enterprise 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 dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Measures"	外商投資企業清算辦法 (Measures on Liquidation of Foreign-invested Enterprises*) in the PRC

"PBC"	the People's Bank of China, the central bank of the PRC
"PRC" or "China"	the People's Republic of China
"PRC Company Law"	中華人民共和國公司法 (The PRC Company Law*)
"PRC Joint Venture Law"	中華人民共和國中外合資經營企業法實施條例 (Regulations for the Implementation of the Law of the PRC on Sino-foreign Equity Joint Venture*)
"RMB"	Renminbi yuan, the lawful currency of the PRC
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it under the GEM Listing Rules
"%"	per cent

For the purposes of this announcement, unless otherwise indicated, the exchange rate at RMB1.00 = HK\$1.06 has been used, where applicable, for purpose of illustration only and do not constitute a representation that any amount have been, could have been or may be exchanged.

By Order of the Board
China LotSynergy Holdings Limited
Ng Man Fai, Matthew
Company Secretary

Hong Kong, 3 January 2008

** for identification purposes only*

As at the date of this announcement, the Board comprises Mr. Chan Shing, Ms. Lau Ting, Mr. Hoong Cheong Thard, Mr. Wu Jingwei and Mr. Liao Yuang-whang as Executive Directors, Mr. Paulus Johannes Cornelis Aloysius Karsken and Mr. Wang Taoguang as Non-Executive Directors and Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Li Xiaojun as Independent Non-Executive Directors.

This announcement, for which the directors (the "Directors") of China LotSynergy Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting.