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China LotSynergy Holdings Limited

華彩控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 8161)**

## **ANNOUNCEMENT**

The Board has noted the recent decrease in the trading price and increase in trading volume of the shares of the Company and wishes to state that save as disclosed herein, the Board is not aware of any reasons for such movements.

This announcement is made pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and at the request of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The board of directors (the "Board") of China LotSynergy Holdings Limited (the "Company") has noted the recent decrease in the trading price and increase in trading volume of the shares of the Company and wishes to state that save as disclosed herein, the Board is not aware of any reasons for such movements.

On 19 May 2006, the Company repurchased 5,828,000 of its own shares, being approximately 11.97% of the trading volume of the day, at the highest and lowest prices per share of HK\$1.23 and HK\$0.88 respectively (the "Share Repurchase"). The Share Repurchase has been funded from internal resources of the Company. The aggregate consideration for the Share Repurchase is HK\$6,288,660.

The 5,828,000 repurchased shares represent approximately 0.32% of the existing issued share capital of the Company. After the Share Repurchase, the total number of issued shares of the Company will be reduced to 1,792,232,000 shares. Pursuant to the repurchase mandate granted to the Board at the annual general meeting of the Company held on 24 April 2006, the Company has, up to the date of this announcement, repurchased a total of 9,720,000 of its own shares since 18 May 2006, representing approximately 0.61% of the issued share capital of the Company on 24 April 2006.

The Company has received certain enquiries from the investors to enquire about the cooperation to be restructured with Octavian International Limited ("Octavian") as announced by the Company on 17 May 2006, as well as the progress on other projects and business of the Group.

On 17 May 2006, the Company and Octavian reached an understanding that the cooperation between the parties would not be proceeded by way of equity acquisition. Such change of mode of cooperation was proposed by the Company. Octavian had then proposed that the parties should actively explore alternative ways to establish a strategic alliance for achieving win-win goals. Both parties considered that in doing so, it will better leverage each party's strengths in different markets and know-how in lottery industry, thereby maximizing their respective shareholders' interests as well as business interests in the long run.

Furthermore, with regard to state policies of China, the Board is not aware of any recent macro-level amendments to policies and regulations introduced by the Chinese government on its welfare lottery that would have any material adverse impact on the relevant businesses now being developed by the Group.

As for the Keno project, the lottery system project for Keno game in China being carried out by the joint venture company of the Group and Tabcorp Group is on track.

On its video lottery business, having exercised its subscriber's redemption right on 28 April 2006, the Group now owns 50% interests in Corich Group. Dongguan Tianyi Electronics Company Limited, the wholly-owned subsidiary of Corich, is operating smoothly. Installation and testing of the new production line for lottery terminals have completed and bulk production and supply can be commenced.

The Board firmly believes that the Company is financially sound. In response to the recent fluctuations and decrease in share price, the Company, after due consideration, made share repurchases in batches. The funds for the repurchase were satisfied by the Company's internal resources. The Board wishes to state that the Company considers the capital funding necessary for the business development in the current financial year is secured.

Save for the above, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Chapters 19 and 20 of the GEM Listing Rules of the Stock Exchange, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules, which is or may be of a price-sensitive nature.

Made by the order of the Board, the directors of which collectively and individually accept responsibility for the accuracy of this announcement.

As at the date of this announcement, the Board of the Company comprises Ms. Lau Ting, Mr. Sun Ho, Mr. Chen Aizheng and Mr. Ng Man Fai, Matthew as Executive Directors and Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Li Xiaojun as Independent Non-Executive Directors.

By order of the Board  
**China LotSynergy Holdings Limited**  
**Ng Lai Ping, Grace**  
*Company Secretary*

Hong Kong, 19 May 2006

*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.*

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