

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)

PROPOSED REDUCTION OF SHARE PREMIUM

The Board of the Company intends to put forward a proposal to the Shareholders for a reduction of the share premium account of the Company pursuant to section 46 of the Companies Act.

The Share Premium Reduction will be conditional upon, among other matters, the approval by the Shareholders at the Annual General Meeting.

A circular containing, among other matters, details of the Share Premium Reduction, together with a notice of the Annual General Meeting and the related proxy form, will be sent to the Shareholders as soon as practicable.

PROPOSED REDUCTION OF SHARE PREMIUM

The Board of the Company intends to put forward a proposal to the Shareholders at the forthcoming Annual General Meeting for a reduction of the share premium account of the Company pursuant to section 46 of the Companies Act. As at 31 December 2006, based on the audited financial statements of the Company, the amount standing to the credit of the share premium account of the Company was approximately HK\$1,346,562,000 and the amount of accumulated losses was approximately HK\$87,346,000. Pursuant to the Share Premium Reduction, it is proposed that the share premium account of the Company be reduced by an amount of approximately HK\$87,346,000 from approximately HK\$1,346,562,000 to approximately HK\$1,259,216,000 and that this sum be applied to eliminate the accumulated losses of the Company of approximately HK\$87,346,000 as at 31 December 2006.

Reason for the Share Premium Reduction

The Board considers that the elimination of the accumulated losses of the Company in full will give the Company more flexibility to declare dividends to its Shareholders at the earliest opportunity in the future as and when the Board considers appropriate. The Board believes that the Share Premium Reduction is in the interests of the Company and the Shareholders as a whole.

Effect of the Share Premium Reduction

Implementation of the Share Premium Reduction will not, of itself, affect the underlying assets, liabilities, business operations, management or financial position of the Company or the interests of the Shareholders as a whole, other than related expenses incurred which are immaterial.

Conditions of the Share Premium Reduction

The Share Premium Reduction is conditional on:

- (i) the passing of a special resolution approving the Share Premium Reduction by the Shareholders at the Annual General Meeting; and
- (ii) the proper compliance with the requirements of section 46(2) of the Companies Act, including (a) the publication of a notice in relation to the Share Premium Reduction in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the date on which the Share Premium Reduction is to have effect, and (b) the Directors having satisfied that on the date the Share Premium Reduction is to be effected, there are no reasonable grounds for believing that the Company is, or after the Share Premium Reduction will be, unable to pay its liabilities as they become due.

In the event that the above conditions are fulfilled, it is expected that the Share Premium Reduction will become effective on the date of the Annual General Meeting, at which the relevant special resolution approving the Share Premium Reduction is passed by the Shareholders.

GENERAL

A circular containing, among other matters, details of the Share Premium Reduction, together with a notice of the Annual General Meeting and the related proxy form, will be sent to the Shareholders as soon as practicable.

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Share Premium Reduction
“Board”	the board of Directors
“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“Company”	China LotSynergy Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Directors”	the directors of the Company

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Share(s)”	ordinary shares of HK\$0.01 each (or of such other nominal amount as shall result from a sub-division or a consolidation of such shares from time to time) in the capital of the Company
“Shareholders”	registered holders of Shares
“Share Premium Reduction”	the proposed reduction of an amount of approximately HK\$87,346,000 standing to the credit of the share premium account of the Company as at 31 December 2006

As at the date of this announcement, the Board of the Company comprises Ms. Lau Ting, Mr. Sun Ho, Mr. Hoong Cheong Thard, Mr. Wang Taoguang, 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, 26 March 2007

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.