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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China LotSynergy Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.



China LotSynergy Holdings Limited

華彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8161)

**PROPOSALS FOR
RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES,
AMENDMENTS TO THE BYE-LAWS,
REDUCTION OF SHARE PREMIUM,
REFRESHMENT OF THE 10% LIMIT ON THE GRANT OF OPTIONS
UNDER THE SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an annual general meeting of China LotSynergy Holdings Limited to be held at Concord Rooms 2 & 3, 8/F., Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Tuesday, 24 April 2007 is set out on pages 15 to 21 of this circular. Whether or not you intend to be present at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of China LotSynergy Holdings Limited at Unit 3206, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should you so wish.

This circular 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.

30 March 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

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

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| “Annual General Meeting” | the annual general meeting of the Company to be held at Renaissance Harbour View Hotel, 8/F., Concord Rooms 2 & 3, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 24 April 2007 at 10:00 a.m. |
| “associates” | shall have the meaning ascribed thereto in the GEM Listing Rules |
| “Board” | the board of Directors |
| “Bye-laws” | the Bye-laws of the Company as amended, supplemented or modified from time to time |
| “Company” | China LotSynergy Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on GEM |
| “Companies Act” | The Companies Act 1981 of Bermuda (as amended) |
| “Directors” | the directors of the Company |
| “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 |
| “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 |
| “Latest Practicable Date” | 27 March 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “New Repurchase Mandate” | the proposed general mandate to be granted to the Directors at the Annual General Meeting to permit the repurchase of Shares of up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution granting such mandate |
| “Notice of AGM” | the notice to convene the Annual General Meeting dated 30 March 2007 |

DEFINITIONS

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|----------------------------|---|
| “Participant” | any individual being an employee, officer, buying agent, selling agent, consultant, sales representative, marketing representative, business representative of, or supplier or provider of goods or services to, the Group or its holding company, including any executive or non-executive director of the Group or its holding company or subsidiary |
| “Scheme Limit Refreshment” | the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme at the Annual General Meeting |
| “Scheme Mandate Limit” | the total number of Shares which may be issued upon the exercise of all options granted under the Share Option Scheme and any other share option schemes of the Group, being 10% of the Shares in issue as at 30 July 2002, the date on which the annual general meeting of the Company was held for the purpose of, among other things, approving and adopting the Share Option Scheme |
| “SFO” | The Securities and Futures Ordinance (Chapter 571 of the Laws 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 Issue Mandate” | the proposed general mandate to be granted to the Directors at the Annual General Meeting to permit the allotment and issue of new Shares or other securities in the Company of up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution granting such mandate |
| “Share Option Scheme” | the share option scheme adopted by the Company on 30 July 2002 |
| “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 described under the section headed “Reduction of Share Premium” in the Letter from the Board |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeover Code” | The Hong Kong Code on Takeovers and Mergers |



China LotSynergy Holdings Limited

華彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8161)

Executive Directors:

LAU Ting (*Chairman*)

SUN Ho (*Deputy Chairman*)

HOONG Cheong Thard (*Deputy Chairman*)

WANG Taoguang

CHEN Aizheng

NG Man Fai, Matthew

Independent Non-Executive Directors:

HUANG Shenglan

CHAN Ming Fai

LI Xiaojun

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Head office and

principal place of business:

Unit 3206, Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

30 March 2007

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES,
AMENDMENTS TO THE BYE-LAWS,
REDUCTION OF SHARE PREMIUM,
REFRESHMENT OF THE 10% LIMIT ON THE GRANT OF OPTIONS
UNDER THE SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with the information on the resolutions to be proposed at the Annual General Meeting relating to (i) the re-election of Directors; (ii) the grant of the New Repurchase Mandate to the Directors; (iii) the grant of the Share Issue Mandate to the Directors; (iv) the amendments to the Bye-laws; (v) the Share Premium Reduction; and (vi) refreshment of the Scheme Mandate Limit.

LETTER FROM THE BOARD

RE-ELECTION OF DIRECTORS

Pursuant to Bye-laws 99 and 102(B) of the Bye-laws, Mr. Hoong Cheong Thard, Mr. Wang Taoguang, Mr. Ng Man Fai, Matthew, Mr. Chan Ming Fai and Mr. Li Xiaojun shall retire from office by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election.

A brief biographical details of the retiring Directors proposed to be re-elected at the Annual General Meeting are set out in Appendix I to this circular.

GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES

At the annual general meeting of the Company held on 24 April 2006, resolutions were passed giving general mandates to the Directors (i) to exercise the powers of the Company to repurchase Shares of the Company on the Stock Exchange or other recognised stock exchanges up to 10% of the issued share capital of the Company as at 24 April 2006, and (ii) to allot, issue and deal with additional Shares of the Company up to a limit equal to the aggregate of (a) 20% of the issued share capital of the Company as at 24 April 2006 and (b) the aggregate nominal amount of any Shares repurchased by the Company pursuant to the general mandate as described in paragraph (i) above. These general mandates will lapse at the conclusion of the forthcoming Annual General Meeting of the Company.

The Directors wish to seek your approval of the resolutions as set out in Ordinary Resolutions (6) to (8) to be proposed at the Annual General Meeting to renew these general mandates to the Directors to repurchase Shares and to issue additional Shares subject to the limitations and conditions of the GEM Listing Rules.

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,772,582,000 Shares. Subject to the passing of the proposed resolution for the Share Issue Mandate and on the basis that there will be no variation in the number of issued Shares prior to the date of the Annual General Meeting, the Directors would be allowed to issue additional Shares up to a maximum of 354,516,400 Shares.

An explanatory statement as required by the GEM Listing Rules to provide you with the requisite information on the proposed general mandate to repurchase Shares is set out in Appendix II to this circular.

AMENDMENTS TO THE BYE-LAWS

The GEM Listing Rules have been amended by the Stock Exchange by replacing Rule 5.35 to Rule 5.45 with a Code on Corporate Governance Practices as a new Appendix 15 to the GEM Listing Rules and adding a new Appendix 16 on the requirements for a Corporate Governance Report to be included in annual reports of listed issuers. Subject to certain transitional arrangements, the amendments took effect on 1 January 2005. Further amendments have been made to the GEM Listing Rules with effect from 1 March 2006 requiring that, among other matters, the Bye-laws shall provide that Directors may be removed at any time by ordinary resolution of the Shareholders.

In order to bring the Bye-laws in line with the changes brought upon by the amendments to the GEM Listing Rules, the Directors propose to amend the Bye-laws to meet the requirements.

The full text of the proposed amendments to the Bye-laws is set out in Special Resolution (9) of the Notice of AGM, which is set out in Appendix III to this circular.

LETTER FROM THE BOARD

REDUCTION OF SHARE PREMIUM

The Board announced on 26 March 2007 that it proposes 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.

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.

LETTER FROM THE BOARD

REFRESHMENT OF THE 10% LIMIT ON THE GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME

The Company adopted the Share Option Scheme pursuant to the ordinary resolution passed by the Shareholders on 30 July 2002. The purpose of the Share Option Scheme is to provide incentives to the Participants to contribute to the Group and to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group.

Under the Share Option Scheme, the total number of Shares which may be issued upon exercise of all options granted under the Share Option Scheme and any other share option schemes of the Group (excluding, for the purpose of calculating the Scheme Mandate Limit, options lapsed (if any) in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) shall not exceed the Scheme Mandate Limit. The Company may seek approval of the Shareholders in general meeting for refreshing the Scheme Mandate Limit, provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Group under the Scheme Mandate Limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of the approval of the Shareholders on the refreshment of the Scheme Mandate Limit.

Options previously granted under the Share Option Scheme or any other share option schemes of the Group (including those outstanding, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group should not exceed 30% of the total number of Shares in issue from time to time.

Pursuant to the ordinary resolution passed by the Shareholders on 30 July 2002, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme was 100,000,000 Shares, being 10% of the issued share capital of the Company on 30 July 2002. There has not been any refreshment of the Scheme Mandate Limit since the adoption of the Share Option Scheme on 30 July 2002.

As at the Latest Practicable Date, there were options for a total of 79,000,000 Shares granted under the Share Option Scheme, of which options for 120,000 Shares were exercised, options for 800,000 Shares were lapsed and options for 78,080,000 Shares remain outstanding. Unless the Scheme Mandate Limit is refreshed, only up to 21,800,000 Shares may be issued pursuant to the grant and issue of further options under the Share Option Scheme. The refreshment of the Scheme Mandate Limit will increase the flexibility of the Company in achieving the purpose of the Share Option Scheme as mentioned above.

LETTER FROM THE BOARD

As at the Latest Practicable Date, there were 1,772,582,000 Shares in issue. Assuming that there will be no variation in the number of issued Shares prior to the date of the Annual General Meeting, the maximum number of Shares which may be issued upon exercise of all the options to be granted by the Company under the refreshed Scheme Mandate Limit would be 177,258,200 Shares, representing 10% of the issued share capital of the Company as at the date of approval of the refreshed Scheme Mandate Limit.

The Scheme Limit Refreshment is conditional upon:

- (i) the passing of an ordinary resolution approving the Scheme Limit Refreshment by the Shareholders of the Annual General Meeting; and
- (ii) the GEM Listing Committee granting the listing of, and permission to deal in, the Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme or any other share option schemes of the Group under the refreshed Scheme Mandate Limit.

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme or any other share option schemes of the Group under the refreshed Scheme Mandate Limit.

NOTICE OF ANNUAL GENERAL MEETING

The Notice of AGM is set out on pages 15 to 21 in Appendix III to this circular and a form of proxy for the Annual General Meeting is enclosed. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company at Unit 3206, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the Annual General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof (as the case may be) should you so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to Bye-law 70 of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:–

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (iii) by any Shareholder or Shareholders present in person or by its duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or
- (iv) by any Shareholder or Shareholders present in person or by its duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

RESPONSIBILITY STATEMENT

This circular, 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:- (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RECOMMENDATION

The Directors consider that (i) the re-election of Directors; (ii) the grant of the New Repurchase Mandate to the Directors; (iii) the grant of the Share Issue Mandate to the Directors; (iv) the amendments to the Bye-laws; (v) the Share Premium Reduction; and (vi) the Scheme Limit Refreshment are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders should vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully
For and on behalf of the Board
China LotSynergy Holdings Limited
LAU Ting
Chairman

To enable the Shareholders to make an informed decision on the re-election of the retiring Directors, we set out below the biographical details of the retiring Directors for Shareholders' information.

Mr. Hoong Cheong Thard, aged 38, joined the Group in September 2006 and is the Deputy Chairman, an Executive Director and the Chief Executive Officer of the Company. Mr. Hoong participates in the formulation and implementation of the Group's overall strategies for development and oversees the day-to-day operations of the Group. Mr. Hoong has over 12 years of experience in investment banking and has extensive experience in international capital markets and mergers and acquisitions. Prior to joining the Group, Mr. Hoong was a Director in Equity Capital Markets at Deutsche Bank responsible for Greater China. He was also previously an Executive Director in Equity Capital Markets at UBS and has held senior positions in Corporate Finance at Barclays Group and a major international accounting firm where he was involved in auditing. Mr. Hoong is a member of the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in Mechanical Engineering from Imperial College, University of London. Mr. Hoong did not hold other directorships in any listed public companies in the past 3 years.

As at the Latest Practicable Date, Mr. Hoong is interested in an option to subscribe for 17,600,000 Shares of the Company, within the meaning of Part XV of the SFO. Mr. Hoong has entered into a renewable service contract with the Company for an initial term of 3 years, under which Mr. Hoong is currently entitled to an annual salary and annual housing allowance of HK\$3,224,000 and HK\$1,020,000 respectively. This excludes bonus which is payable or other benefits in kind which may be granted at the discretion of the Company. The emoluments of the Directors of the Company are determined with reference to that director's responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the industry and prevailing market conditions.

Mr. Hoong does not have any relationship with any other Director, senior management, management shareholder, substantial shareholder or controlling shareholder of the Company.

Mr. Wang Taoguang, aged 42, joined the Group in June 2006 and is an Executive Director of the Company. He is a director of Corich International Limited, Dongguan Corich Electronics Co., Ltd. and 海南天意日盛電子設備租賃有限公司, all are subsidiaries of the Company. Mr. Wang has about 20 years' experience in the legal profession, finance, investment and business management. He holds a PhD in economics from Peking University, masters degrees from Bowling Green State University, United States and Peking University and a law degree from Peking University. Mr. Wang did not hold other directorships in any listed public companies in the past 3 years.

As at the Latest Practicable Date, Mr. Wang does not have any interests in Shares of the Company within the meaning of Part XV of the SFO. Mr. Wang has entered into a renewable service contract with the Company, under which Mr. Wang is currently entitled to an annual salary of HK\$720,000. This excludes bonus which is payable or other benefits in kind which may be granted at the discretion of the Company. The emoluments of the Directors of the Company are determined with reference to that director's responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the industry and prevailing market conditions.

Mr. Wang does not have any relationship with any other Director, senior management, management shareholder, substantial shareholder or controlling shareholder of the Company.

Mr. Ng Man Fai, Matthew, aged 39, joined the Group in June 2000 and is an Executive Director, the Compliance Officer and the Financial Controller of the Company. He is responsible for the financial planning of the Group and the supervision of its accounting and financial activities. Mr. Ng had worked for international certified public accounting firms, financial institutions and listed companies in Hong Kong and had over 15 years' experience in the fields of auditing, finance and accounting. Mr. Ng holds a bachelor's degree in Business Administration from the University of East Asia in Macau and a master's degree in Accountancy from the Charles Sturt University in Australia. At present he is a Certified Public Accountant (Practising) in Hong Kong, a fellow member of the Association of Chartered Certified Accountants and is a member of the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom. Mr. Ng did not hold other directorships in any listed public companies in the past 3 years.

As at the Latest Practicable Date, Mr. Ng has a beneficial personal interest of 660,000 Shares in the Company and is interested in an option to subscribe for 600,000 Shares of the Company, within the meaning of Part XV of the SFO. Mr. Ng has entered into a service contract with the Company, under which Mr. Ng is currently entitled to an annual salary of HK\$413,400. This excludes bonus which is payable or other benefits in kind which may be granted at the discretion of the Company. The emoluments of the Directors of the Company are determined with reference to that director's responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the industry and prevailing market conditions.

Mr. Ng does not have any relationship with any other Director, senior management, management shareholder, substantial shareholder or controlling shareholder of the Company.

Mr. Chan Ming Fai, aged 45, joined the Group in May 2006 and is an Independent Non-Executive Director of the Company. He is currently the President of Dandelion Capital Group, which is a private financial advisory company. He has over twenty years of experience in investment banking and asset management. Mr. Chan had worked for Jardine Fleming Investment Management with a major responsibility to market unit trusts and asset management products in Hong Kong and subsequently in various Asian markets, and was particularly instrumental in the establishment of Jardine Fleming's investment trust operation in Japan, Korea and Indonesia. Mr. Chan also co-founded the KGI Group, which is a pan-Asian investment bank with shareholders including major investors and institutions in Asia, where he was the head of the asset management operation which managed about USD400 million in hedge funds and other portfolios, and was also a member of the management committee of KGI Group. Mr. Chan received a bachelor's degree in Social Sciences with major in Economics from the University of Hong Kong.

Mr. Chan was an independent non-executive director of Sino Technology Investments Company Limited, a listed public company in Hong Kong, during the period from 31 December 2003 to 30 December 2004. Mr. Chan was also appointed as an independent non-executive director of G-Vision International (Holdings) Limited, a listed public company in Hong Kong, on 1 March 2004. He was then re-designated as an executive director on 30 September 2004 and had resigned from the company on 31 March 2006. Save as disclosed herein, Mr. Chan has not held any directorships in other listed public companies in the last three years.

As at the Latest Practicable Date, Mr. Chan is interested in an option to subscribe for 600,000 Shares of the Company, within the meaning of Part XV of the SFO. There is no service contract between Mr. Chan and the Company but Mr. Chan is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws. Mr. Chan shall be entitled to a Director fee of HK\$252,000 per annum which will be reviewed on annual basis with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and prevailing market conditions.

Mr. Chan does not have any relationship with any other Director, senior management, management shareholder, substantial shareholder or controlling shareholder of the Company.

Mr. Li Xiaojun, aged 32, joined the Group in September 2004 and is an Independent Non-Executive Director of the Company. Mr. Li is a practicing lawyer in China at Gaopeng & Partners, focusing his area of practice in corporate and capital market matters and has represented a number of domestic state-owned enterprises, private-owned enterprises and foreign invested companies in restructuring and reorganisation, mergers and acquisitions, and initial public offerings exercises. Mr. Li serves as legal counsel for the first Sino-foreign fund management company, where he has been engaged in the invention and development of investment funds, providing legal service for issuances of the first domestic Umbrella Fund, QDII Fund, Money Market Fund and other mutual funds. Mr. Li has also successfully participated in the project regarding disposition of bad assets of state-owned commercial bank. In addition, he has also been focusing his work on business strategy formulation and alliance for wholly foreign-owned commercial enterprises in China. Mr. Li has proven ability and experience in various areas in the legal profession. Mr. Li graduated from Zhongnan University of Economic and Law and is a member of All-China Lawyers Association and Beijing Bar Association. Mr. Li did not hold other directorships in any listed public companies in the past 3 years.

As at the Latest Practicable Date, Mr. Li is interested in an option to subscribe for 600,000 Shares of the Company, within the meaning of Part XV of the SFO. There is no service contract between Mr. Li and the Company but Mr. Li is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws. Mr. Li shall be entitled to a Director fee of HK\$120,000 per annum which will be reviewed on annual basis with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and prevailing market conditions.

Mr. Li does not have any relationship with any other Director, senior management, management shareholder, substantial shareholder or controlling shareholder of the Company.

Save as disclosed above, there is no other information which is discloseable nor are/were the above retiring Executive Directors/Independent Non-Executive Directors involved in any matters required to be disclosed pursuant to the requirements under Rule 17.50(2)(h) to Rule 17.50(2)(v) of the GEM Listing Rules. There is no other matters that need to be brought to the attention of the Shareholders in relation to the re-election of the above retiring Directors.

This Appendix serves as the explanatory statement required by the GEM Listing Rules to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the New Repurchase Mandate.

THE REPURCHASE PROPOSAL

The New Repurchase Mandate will authorise the Directors to repurchase on the Stock Exchange, or on another exchange recognised for this purpose by the Securities and Futures Commission and the Stock Exchange under the Hong Kong Code on Share Repurchases, Shares of the Company up to a maximum of 10% of the issued share capital of the Company as at the date on which the resolution approving the New Repurchase Mandate is passed.

Based on the 1,772,582,000 Shares in issue as at the Latest Practicable Date, the Company would be allowed under the New Repurchase Mandate to repurchase a maximum of 177,258,200 Shares on the basis that there will be no variation in the number of issued Shares prior to the date of the Annual General Meeting.

The authority conferred on the Directors by the New Repurchase Mandate would continue in force until: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by law; or (iii) the variation or revocation of the New Repurchase Mandate by ordinary resolution of the Shareholders in general meeting, whichever occurs first.

REASONS FOR REPURCHASES

The Directors consider that it is in the best interests of the Company and its Shareholders to have the New Repurchase Mandate. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value per Share and/or earnings per Share and/or dividend per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

SOURCE OF FUNDS

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Bye-laws and the laws of Bermuda. Pursuant to the Companies Act, any Share repurchased under the New Repurchase Mandate would be purchased out of the capital paid up on the repurchased Shares, the funds of the Company which would otherwise be available for dividend or distribution, the proceeds of a fresh issue of Shares made for the purpose of the repurchase. The premium, if any, payable on the repurchase will be provided out of the funds of the Company which would otherwise be available for dividend or distribution or out of the share premium account of the Company before the shares are repurchased.

EFFECT ON WORKING CAPITAL

The Directors consider that there might be an adverse impact on the working capital or the gearing position of the Company as compared with the position disclosed in the audited financial statements as at 31 December 2006 in the event that the New Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the New Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

DISCLOSURE OF INTERESTS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates, have any present intention to sell Shares to the Company under the New Repurchase Mandate in the event that the New Repurchase Mandate is approved by the Shareholders.

DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make repurchases pursuant to the New Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of Bermuda.

TAKEOVER CODE

If as a result of a Share repurchased by the Company such that a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeover Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could, depending on the level of increase in his/their shareholding interest, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at the Latest Practicable Date, Burwill Holdings Limited ("Burwill"), the substantial shareholder of the Company, was beneficially interested in approximately 21.75% of the Company's issued share capital. As at the Latest Practicable Date, the aggregate interest of Mr. Chan Shing (the spouse of Ms. Lau Ting) and Ms. Lau Ting, through their personal interests of 7%, corporate interests of 1.24% and their controlling interests in Burwill, in the Shares of the Company were approximately 29.99% of the Company's issued share capital. In the event that the Directors exercised in full the power to repurchase Shares which is proposed to be granted pursuant to the New Repurchase Mandate, the aggregate interests held by Mr. Chan Shing and Ms. Lau Ting would be increased to approximately 33.33% of the issued share capital of the Company. The increase of the aggregate proportionate interests of Mr. Chan Shing and Ms. Lau Ting in the Company may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code. However, the Directors have no present intention to exercise the New Repurchase Mandate to such extent as would give rise to this obligation.

Save as disclosed herein, the Directors are not aware of any consequences which may arise under the Takeover Code if the New Repurchase Mandate is to be exercised in full.

SHARE PURCHASES MADE BY THE COMPANY

The Company has not made any purchase of Shares on the Stock Exchange or otherwise in the six months preceding the date of this circular.

CONNECTED PERSONS

The Company has not been notified by any connected persons (as defined in the GEM Listing Rules) of the Company that they have a present intention to sell any Shares to the Company, or have undertaken not to do so, in the event that the New Repurchase Mandate is approved by the Shareholders.

MARKET PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange in each of the twelve calendar months preceding the Latest Practicable Date were as follows:

| | Share Price | |
|--|------------------------|-----------------------|
| | Highest <i>HK\$</i> | Lowest <i>HK\$</i> |
| March 2006 | 2.475 | 2.000 |
| April 2006 | 2.350 | 1.330 |
| May 2006 | 1.880 | 0.820 |
| June 2006 | 1.290 | 0.790 |
| July 2006 | 1.190 | 0.880 |
| August 2006 | 1.160 | 0.940 |
| September 2006 | 1.040 | 0.830 |
| October 2006 | 0.920 | 0.770 |
| November 2006 | 1.700 | 0.850 |
| December 2006 | 1.860 | 1.330 |
| January 2007 | 2.020 | 1.640 |
| February 2007 | 2.680 | 1.960 |
| March 2007 (up to the Latest Practicable Date) | 2.370 | 1.690 |



China LotSynergy Holdings Limited

華彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8161)

Notice is hereby given that the Annual General Meeting of China LotSynergy Holdings Limited (the “Company”) will be held at Renaissance Harbour View Hotel, 8/F., Concord Rooms 2 & 3, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 24 April 2007 at 10:00 a.m. for the following purposes:

1. To receive the Audited Financial Statements of the Company and the Reports of the Directors and Auditors for the year ended 31 December 2006.
2. To re-elect retiring Directors.
3. To authorise the Board of Directors to fix the remuneration of Directors.
4. To re-appoint HLB Hodgson Impey Cheng as the Auditors and authorise the Board of Directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** the maximum number of Directors be fixed at twelve and that the Directors be authorised to appoint Directors up to such maximum number in addition to those in office at the close of the 2007 Annual General Meeting.”

6. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT:**

- (i) the exercise by the Directors during the Relevant Period (as hereinafter defined in this Resolution) of all powers of the Company to purchase issued shares of HK\$0.01 each in the capital of the Company (“Shares”), subject to paragraph (ii) below, be and is hereby generally and unconditionally approved;

- (ii) the aggregate nominal amount of Shares which may be purchased by the Company on The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) or of any other stock exchange as amended from time to time, pursuant to the approval in paragraph (i) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;
 - (iii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period (as defined below) to procure the Company to purchase its Shares, subject to and in accordance with all applicable laws and requirements of the GEM Listing Rules or of any other stock exchange as amended from time to time, at such prices as the Directors at their discretion may determine; and
 - (iv) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
 - (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda to be held; and
 - (c) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
7. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT:**

- (i) subject to paragraph (iii) below, the exercise by the Directors during the Relevant Period (as hereinafter defined in this Resolution) of all the powers of the Company to allot, issue or deal with additional shares in the share capital of the Company or securities convertible into shares, options, warrants or similar rights to subscribe for any shares, and to make or grant offers, agreements and options, which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

- (ii) the approval in paragraph (i) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (i), otherwise than pursuant to (a) a Rights Issue (as hereinafter defined in this Resolution), (b) any share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to its eligible participants of shares or rights to acquire shares of the Company, (c) the exercise of rights of subscription or conversion under the terms of any warrants or convertible bonds issued by the Company or any securities which are convertible into shares of the Company, or (d) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the approval in paragraph (i) shall be limited accordingly;
- (iv) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
 - (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda to be held; and
 - (c) the revocation or variation of the approval given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

8. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** conditional upon the passing of Resolutions numbered 6 and 7 set out in the notice of annual general meeting dated 30 March 2007, the aggregate nominal amount of the shares of the Company that the Directors may allot, issue or deal with additional shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares, and to make or grant offers, agreements and options under the general mandate granted to the Directors pursuant to such Resolution numbered 7 be and is hereby increased by the aggregate nominal amount of shares in the share capital of the Company repurchased by the Company pursuant to and in accordance with Resolution numbered 6, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution.”

9. As special business, to consider and, if thought fit, pass the following resolution as a Special Resolution:

SPECIAL RESOLUTION

“**THAT** the bye-laws of the Company be and are hereby amended in the following manner:

- (a) by deleting the existing bye-law 70 in its entirety and substituting therefor the following new bye-law 70:–

“70. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required by the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:–

- (i) by the Chairman of the meeting; or
- (ii) by at least three shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any shareholder or shareholders present in person or by its duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or

- (iv) by any shareholder or shareholders present in person or by its duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; and
- (v) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five (5) per cent. or more of the total voting rights at such meeting.

Unless a poll be so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.”

- (b) by deleting the existing bye-law 97(A)(vi) in its entirety and substituting therefor the following new bye-law 97(A)(vi):–

“97.(A)(vi) if he shall be removed from office by an Ordinary Resolution of the Company under Bye-Law 104.”

- (c) by deleting the existing bye-law 102(B) in its entirety and substituting therefor the following new bye-law 102(B):–

“102(B) The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next annual general meeting of the Company (in the case of an addition to their number) and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.”

- (d) by deleting the existing bye-law 104 in its entirety and substituting therefor the following new bye-law 104:–

“104. The Company may by Ordinary Resolution remove any Director (including a Managing Director or other Executive Director) before the expiration of his period of office notwithstanding anything in these Bye-Laws or in any agreement between the Company and such Director (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may elect another person in his stead. Any person so elected shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at such meeting, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.”

- (e) by deleting the margin note to bye-law 104 in its entirety and substituting therefor the following:

“Power to remove Director by Ordinary Resolution”

10. As special business, to consider and, if thought fit, pass the following resolution as a Special Resolution:

SPECIAL RESOLUTION

“THAT:

- (a) subject to the compliance with section 46(2) of the Companies Act 1981 of Bermuda (as amended) and with effect from the date of the passing of this resolution, the share premium account of the Company be reduced by approximately HK\$87,346,000 from approximately HK\$1,346,562,000 to approximately HK\$1,259,216,000;
- (b) the directors of the Company be and are hereby authorised to utilise the credit arising from the reduction of share premium account set out in paragraph (a) above to offset against the accumulated losses of the Company of approximately HK\$87,346,000 as at 31 December 2006, (paragraphs (a) and (b) above collectively referred to as the “Share Premium Reduction”); and
- (c) the directors of the Company be and are hereby authorised to do all such things and acts and execute all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect and/or implement the Share Premium Reduction.”

11. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the existing scheme mandate limit in respect of the granting of options to subscribe for shares in the Company (“Shares”) under the share option scheme adopted by the Company on 30 July 2002 (the “Share Option Scheme”) and any other share option schemes of the Group be refreshed and renewed, provided that the total number of Shares which may be allotted and issued upon exercise of the options to be granted under the Share Option Scheme and any other share option schemes of the Group (excluding options previously granted, outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Company) (where such options hereinafter collectively referred to as “Options”) shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution (the “Refreshed Limit”); and
- (b) subject to The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the Options to be granted under the Refreshed Limit and in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange, the directors of the Company be and are hereby authorised, at their absolute discretion, to grant Options and to allot and issue Shares pursuant to the exercise of any Options up to the Refreshed Limit.”
12. To transact any other business of the Company.

By Order of the Board
NG Lai Ping, Grace
Company Secretary

Hong Kong, 30 March 2007

Notes:

- (1) A member who is the holder of two or more shares and who is entitled to attend and vote at the Annual General Meeting is entitled to appoint more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company. In the event that a member appoints more than one proxy, on a show of hands, all such proxies shall collectively have one vote unless otherwise provided for in the Bye-laws of the Company.
- (2) A form of proxy for use at the Annual General Meeting is enclosed. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or notarially certified copy thereof must be deposited at the principal place of business of the Company at Unit 3206, 36th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the meeting. Completion and deposit of the form of proxy will not preclude a member from attending and voting in person.
- (3) If two or more persons are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the share.