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INNO-TECH HOLDINGS LIMITED

匯 創 控 股 有 限 公 司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8202)

PROPOSED SHARE CONSOLIDATION, CHANGE IN BOARD LOT SIZE, VARIATION OF GENERAL MANDATE AND ISSUE OF NEW SHARES UNDER GENERAL MANDATE AND RESUMPTION OF TRADING

PROPOSED SHARE CONSOLIDATION

The Company proposes to effect the Share Consolidation pursuant to which every two (2) issued Shares will be consolidated into one (1) Consolidated Share. The Share Consolidation is conditional upon, among other things, the approval of the Shareholders at the SGM.

NEW GENERAL MANDATE

If the Share Consolidation becomes effective, the issued share capital of the Company will be consolidated from existing 586,950,000 Shares of HK\$0.01 each into 293,475,000 Consolidated Shares at HK\$0.02 each. In that case, the existing General Mandate granted by the shareholders at the annual general meeting of the Company of 22 July 2005 will have to be varied to reflect the change in the share capital structure of the Company. The New General Mandate is subject to the approval of the Shareholders at the SGM. The existing General Mandate has not been utilised by the Company as at the date of this announcement.

PROPOSED PLACING

On 19 December 2005, the Company entered into the Subscription Agreements with the Subscribers in relation to the subscription of an aggregate of 30,000,000 Consolidated Shares at the subscription price of HK\$0.20 each (equivalent to 60,000,000 Shares at HK\$0.10 each before the Share Consolidation becoming effective). Each of the Subscribers is an Independent Third Party.

The Subscription is subject to the Share Consolidation becoming effective and the Shareholders approving the variation of General Mandate and the GEM Listing Committee granting approval for the Listing of and permission to deal in the Subscription Shares. The Subscription Shares represent approximately 10.22% of the issued share capital of the Company (assuming the Share Consolidation becomes effective) and approximately 9.27% of the issued share capital of the Company as enlarged by the Subscription (assuming there is no conversion of any of the 2006 Notes and 2008 Notes and there is no exercise of the Share Options).

* for identification purpose only

The net proceeds of approximately HK\$5 million will be used as general working capital of the Company.

A circular containing (i) further details of the Share Consolidation; (ii) the New General Mandate; variation of the Special General Mandate and (iii) a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the GEM was suspended from 2:30 p.m. on Monday, 19 December 2005 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the GEM with effect from 9:30 a.m. on Wednesday, 21 December 2005.

PROPOSED SHARE CONSOLIDATION

Pursuant to Rule 17.76 of the GEM Listing Rules, the Company proposes to put forward for approval by the Shareholders, the Share Consolidation pursuant to which every two (2) issued Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.02 each.

As at the date of this announcement, the authorised share capital of the Company of HK\$100,000,000 consists of 10,000,000,000 Shares of HK\$0.01 each of which 586,950,000 Shares have been issued and are fully paid. Upon the Share Consolidation taking effect and on the basis that the Company does not issue and allot any further Shares prior to the Share Consolidation taking effect, the authorised share capital of the Company will remain at HK\$100,000,000 but will comprise of 5,000,000,000 Consolidated Shares, of which 293,475,000 Consolidated Shares of HK\$0.02 each will be in issue (without taking into account the Subscription Shares).

The Consolidated Shares will rank pari passu in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders. Board lot size for trading in the Consolidated Shares will be 20,000 Consolidated Shares per board lot.

Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Consolidated Shares in issue upon the Share Consolidation taking effect.

CHANGE IN BOARD LOT SIZE

The Shares are currently traded in board lots of 10,000 Shares. The value of the current board lot of 10,000 Shares based on the closing price of HK\$0.058 per Share on 16 December 2005 is HK\$580.00. Upon the Share Consolidation becoming effective, the Consolidated Shares will be traded in board lots of 20,000 Consolidated Shares such that based on the closing price of the Shares as at 16 December 2005, the expected value of each board lot of 20,000 Consolidated Shares is expected to be more than HK\$2,000.00. Fractions of any Consolidated Share will not be issued but will be aggregated and sold in the market for the benefit of the Company.

EFFECT OF SHARE CONSOLIDATION

Save for the relevant expenses incurred, the implementation of the Share Consolidation will not result in any material change to the net asset value, business operations, management or financial position of the Group.

CONDITIONS OF THE SHARE CONSOLIDATION

The Share Consolidation is conditional on:

- (i) the passing by the Shareholders of an ordinary resolution approving the Share Consolidation at the SGM;
- (ii) compliance with any applicable legal procedures and requirements under the laws of Bermuda; and
- (iii) the GEM Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares in issue upon the Share Consolidation becoming effective and any Consolidated Shares which may be issued pursuant to the exercise of the conversion rights attached to the 2006 Notes and 2008 Notes and the Share Options respectively.

REASONS FOR THE SHARE CONSOLIDATION

Reference is made to the announcement of the Company published on 5 August 2005 in which it was announced that the Board will implement a plan to consolidate the Shares if the price of the Shares continues to perform at below HK\$0.10 by the end of November 2005. The price of the Shares has been trading at below HK\$0.10 since the announcement dated 5 August 2005 until the date of this announcement; as such, the Board believes it to be the appropriate time to implement the proposed Share Consolidation. The proposed Share Consolidation will increase the nominal value of the Shares and reduce the total number of Shares currently in issue and is also required in accordance with Rule 17.76 of the GEM Listing Rules. It is expected that the Share Consolidation will bring about an increase in the trading price of the Shares and will reduce the overall transaction costs of the Shareholders when they deal in the Shares.

EXCHANGE OF SHARE CERTIFICATES

Subject to the Share Consolidation becoming effective, which is expected to be on or around 24 January 2006, Shareholders may, on or after 24 January 2006 until 24 February 2006 (both days inclusive) submit share certificates for existing Shares to the Company 's branch registrar in Hong Kong ("Branch Registrar"), Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong, for exchange, at the expense of the Company, for certificates of the Consolidated Shares (on the basis of 2 existing Shares for one Consolidated Share). Thereafter, certificates of Shares will remain effective as documents of title but will be accepted for exchange only on payment of a fee of HK\$2.50 each by the Shareholder to the Branch Registrar, or any such amount as the Stock Exchange may approve from time to time.

TRADING ARRANGEMENTS

Details of the arrangements with regard to the parallel trading arrangements and Consolidated Shares odd lot match service will be included in the circular to be dispatch to the Shareholders.

A circular containing further information in connection with the Share Consolidation, including the expected timetable and odd lot arrangements and matching services, together with the notice of SGM will be dispatched to the Shareholders as soon as practicable. Further announcement in respect of the expected timetable and odd lot arrangements and matching services will be published by the Company on the date of the despatch of the circular.

NEW GENERAL MANDATE

The Board will seek Shareholders' approval to vary the existing General Mandate at the SGM to allot, issue and otherwise deal in up to 586,950,000 Consolidated Shares being 20% of the share capital of the Company upon the Share Consolidation becoming effective. Furthermore, the Board will seek a variation of the Special General Mandate granted by the Shareholders at a special general meeting of the Company dated 27 July 2005 authorising the Board to allot and issue up to 126,000,000 Shares attaching to the 2008 Notes. If the Share Consolidation becomes effective and upon conversion of the 2008 Notes and the 2006 Notes in full in accordance with their respective terms, the 2008 Notes will entitle the relevant holders to convert their respective rights into 63,000,000 Consolidated Shares and the 2006 Notes will entitle the relevant holders to convert their respective rights into 20,000,000 Consolidated Shares.

THE SUBSCRIPTION

The Subscription Agreement

Date: 19 December 2005

Parties: The Company and the Subscribers, namely Mr. Ma She Shing, Albert and Mr. Chen Zhi Cheng respectively

Pursuant to the Subscription Agreements, the Subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue an aggregate of 30,000,000 Consolidated Shares in cash at the Subscription Price of HK\$0.20 each Subscription Share.

The Subscribers

Each of the two Subscribers is an Independent Third Party and independent of each other. To the best of the knowledge of the Directors, having made all reasonable enquiries, none of the Subscribers as at the date of the Subscription Agreements is interested in any Shares. None of the Subscribers will hold more than 5% of the issued share capital of the Company as enlarged by the Subscription on a post-Share Consolidation basis.

Number of Subscription Shares

The total number of Subscription Shares subscribed by the Subscribers are 30,000,000 Consolidation Shares.

The Subscription Shares represent:

- (i) approximately 10.22% of the issued share capital of the Company on a post-Share Consolidation basis (assuming the Share Consolidation and New General Mandate is approved on the date of the SGM); and

- (ii) approximately 9.27% of the issued share capital of the Company as enlarged by the Subscription and upon the Share Consolidation becoming effective.

Subscription Price

The Subscription Price is HK\$0.20 for each Subscription Share. The Subscribers have paid in by separate cheques for the Subscription Price on the signing of the Subscription Agreements.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers and represents:

- (i) a premium of approximately 244.8% to the price of HK\$0.058 per Share as quoted on the GEM on 19 December 2005 prior to the suspension of trading in the Shares from 2:30 p.m. on the same day, being the date of the Subscription Agreements;
- (ii) a premium of approximately 242.46% to the average closing price of approximately HK\$0.0584 per Share as quoted on the GEM for the five trading date immediately preceding the date of the Subscription Agreements.
- (iii) a premium of approximately 138.10% to the net asset value of HK\$0.084 per Share based on the latest audited financial information and the then issued share capital of the Company of 544,950,000 Shares as at 31 March 2005; and
- (iv) a premium of approximately 108.33% to the net asset value of HK\$0.096 per Share based on the interim results of the Company and the issued share capital of the Company of 586,950,000 Shares as at 30 September 2005.

On the basis of net proceeds in the amount of HK\$5 million, the net price of each Subscription Share is approximately HK\$0.167.

Rights

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Consolidated Shares in issue as at the date of allotment and issue of the Subscription Shares.

Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued under New General Mandate proposed to be granted to the Directors at the SGM as a variation of the existing General Mandate. Under the New General Mandate, the Directors will be authorized to allot and issue up to a limit equal to 20% of the issued share capital of the Company as at the date of approving the New General Mandate.

Condition of the Subscription

The Subscription is conditional upon the following:

- (i) approval of the Share Consolidation and granting of the New General Mandate by the Shareholders at the SGM; and

- (ii) the GEM Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Consolidated Shares and the Subscription Shares.

In the event the condition of Subscription is not fulfilled, neither the Company nor the Subscribers shall have any obligations and liabilities under the Subscription save for antecedent breaches of the provisions of the Subscription Agreements and the refund of the Subscription Price for the Subscription Shares without interest by the Company to the Subscribers.

Completion of the Subscription

Completion of the Subscription will take place within three business days after fulfilment of the condition of the Subscription, that is, by no later than 28 February 2006 (or such other date as may be agreed between the Company and the Subscribers).

Further announcement will be made by the Company upon completion of the Subscription.

Application for listing

Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

Proceeds from the Subscription

The net proceeds from the Subscription of approximately HK\$5 million will be applied wholly as general working capital of the Company.

Expenses of the Subscription in the amount of approximately HK\$1 million will be borne by the Company.

REASONS FOR THE SUBSCRIPTION

The Group is a software applications solutions provider which mainly engaged in the provision of internet design for residential communities and e-property management software application consulting services based on the application of the i-Panel and its integrated hardware and software in the PRC.

In the circumstances, the Directors considered the Subscription offers the Company an opportunity to raise additional funds to finance such research and development at a relatively low cost, compare to bank borrowings which would entail interest expenses whereas an equity issue does not involve any interest expenses.

Having considered the above, the Directors are of the view that the Subscription Price and the terms of the Subscription Agreement to be fair and reasonable and are in the interests of the Shareholders as a whole.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has an issued share capital of HK\$5,869,500 divided into 586,950,000 Shares. Upon the Share Consolidation becoming effective, the Company will have an issued share capital of HK\$5,869,500 divided into 293,475,000 Consolidated Shares.

I IMPACT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the changes to the shareholding structure of the Company before and after completion of the Placing (upon the Share Consolidation becoming effective):

Set out below is a table showing (i) the shareholding structure of the Company as at the date of the Announcement; (ii) its shareholding structure as at the Latest Practicable Date and assuming the Shares under the Share Options are duly issued and allotted; (iii) its shareholding structure immediately upon the Share Consolidation becoming effective; and (iv) its shareholding structure upon the Share Consolidation becoming effective and immediately after Completion, based on the assumption that all the Placing Shares are successfully placed by the Placing Agent:

Shareholders	As at the date of this announcement		As at the Latest Practicable Date and assuming the Shares under the Share Options are fully allotted		Immediately upon the Share Consolidation becoming effective		Upon the Share Consolidation becoming effective and immediately after Completion	
	Shares	%	Shares	%	Consolidated Share	%	Consolidated Share	%
Multiturn Trading Limited (Note 1)	194,724,000	33.18	256,152,000	35.48	97,362,000	33.18	97,362,000	30.10
Rexy Investment Limited (Note 2)	57,600,000	9.81	57,600,000	7.98	28,800,000	9.81	28,800,000	8.90
Winy Group Limited (Note 3)	3,600,000	0.61	3,600,000	0.49	1,800,000	0.61	1,800,000	0.56
Other public Shareholders	331,026,000	56.40	404,668,000	56.05	165,513,000	56.40	195,513,000	60.44
Total	<u>586,950,000</u>	<u>100</u>	<u>722,020,000</u>	<u>100</u>	<u>293,475,000</u>	<u>100%</u>	<u>323,475,000</u>	<u>100</u>

Notes:

1. Multiturn Trading Limited is owned as to 31.21%, 30.9%, 30.9% and 6.99% by Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert and Mr. Lam Siu San, respectively, all of whom are executive Directors.
2. Rexy Investment Limited is wholly owned by Plotio Limited, which is wholly owned by HyComm Wireless Limited, a company listed on the Main Board of the Stock Exchange.
3. Winy Group Limited is owned by Ms. Wu Wai Yee, Annis, an independent non-executive Director and Ms. To Po Yim, an Independent Third Party.

II INFORMATION ON THE SUBSCRIBER

The Subscribers are Mr. Ma She Shing, Albert and Mr. Chen Zhi Cheng respectively who are Independent Third Parties.

III FUNDRAISING EXERCISE UNDERTAKEN BY THE COMPANY IN THE PREVIOUS 12 MONTHS

The following table summarises the capital raising activities of the Group for the 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of net proceeds	Actual use of net proceeds as at the date of this announcement
30.03.2005	Placing of 42,000,000 new Shares at a price of HK\$0.05 per Share	HK\$2 million	General working capital of the Group	Approximately HK\$2 million has been fully utilized as general working capital of the Group
05.07.2005	Subscription of convertible loan notes in the aggregate principal sum of HK\$6.3 million	HK\$6 million	To finance the research and development of the product series of home intelligent automated system using the Patented Technology and i-Panel.	HK\$6 million has been fully utilised to finance the research and development of the product series of home intelligent automated system using the Patented Technology and i-Panel.

Outstanding Share Options and convertible notes

As at the date of this announcement, there are Share Options outstanding entitling holders thereof to subscribe for an aggregate of 135,160,000 Shares as to: 44,640,000 Shares at a price of HK\$0.14 each, 33,320,000 Shares at HK\$0.11 each, 57,200,000 Shares at HK\$0.057 each. If any Share Option granted under the Share Option Schemes becomes or remains exercisable upon the Share Consolidation becoming effective, the Company will request the independent financial adviser or the auditors of the Company to provide a certificate as to the adjustment (if any) required to be made in accordance with the rules of the Share Option Schemes and Rule 23.03(13) of the GEM Listing Rules once the Share Consolidation becomes effective. Corresponding adjustments will be made on the basis that the proportion of the issued share capital of the Company to which a

grantee of share options is entitled shall remain the same before and after such adjustment in accordance with rules of the Share Option Schemes and the supplementary guidance issued by the Stock Exchange.

In addition, the Company has the 2006 Notes in issue with an aggregate principal amount of HK\$8,000,000 convertible to 40,000,000 Shares and the 2008 Notes in issue with an aggregate principal amount of HK\$6,300,000 convertible to 126,000,000 Shares. In the event that the subscription rights attaching to the Share Options and the 2006 Notes and 2008 Notes are exercised in full prior to the Record Date, a total of 301,160,000 Shares will fall to be issued (equivalent to 150,580,000 Consolidated Shares if the Share Consolidation becomes effective).

According to the rules of the Share Option Schemes and the subscription agreement of the 2006 Notes and the 2008 Notes, respectively, upon the Share Consolidation becoming effective and completion of the Placing, adjustments, may need to be made to (i) the conversion price and number of Shares subject to the 2006 Notes and 2008 Notes, respectively; and (ii) the exercise price and the number of Shares subject to Share Option Schemes. Further announcement will be made by the Company, upon the Share Consolidation becoming effective and completion of the Placing in respect of any adjustments mentioned above.

EXPECTED TIMETABLE

The detailed timetable for the Share Consolidation including relevant trading arrangements will be set out in the circular to be despatched to the Shareholders.

GENERAL

Dealings in the Existing Shares on the Stock Exchange were suspended at the request of the Company with effect from 2:30 p.m. on Monday, 19 December 2005 pending the release of this announcement. Application has been made to the Stock Exchange for resumption in the trading of the Existing Shares with effect from 9:30 a.m. on Wednesday, 21 December 2005.

A circular containing, among other things, details of the Share Consolidation and the Placing together with a notice of the SGM will be sent to the Shareholders as soon as practicable.

DEFINITIONS

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

“2006 Notes” a series of 7.5% redeemable convertible notes due in 2006 in the aggregate principal amount of HK\$8 million issued by the Company on 24 September 2003 to which attached the right to convert up to 40,000,000 Shares (pre-Share Consolidation) at the conversion price of HK\$0.20 each;

“2008 Notes” a series of 7.5% redeemable convertible notes due in 2008 in the aggregate principal amount of HK\$6.3 million issued by the Company on 12 August 2005 to which attached to convert up to 126,000,000 Shares;

“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday) on which banks in Hong Kong are generally opened for banking business;
“Company”	Inno-Tech Holdings Limited, an exempted company with limited liability incorporated in Bermuda whose Shares are listed on GEM;
“Companies Act”	the Companies Act of Bermuda 1981 (as amended);
“Consolidated Share(s)”	Shares of HK\$0.02 each consolidated from 2 Shares of HK\$0.01 each under the Share Consolidation;
“Director(s)”	the director(s) of the Company;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Committee”	the sub-committee of the board of directors of the Stock Exchange with responsibility for GEM;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“GEM website”	the Internet website www.hkgem.com operated by the Stock Exchange for the purpose of GEM;
“General Mandate”	the general and unconditional mandate to be granted to the Directors at the annual general meeting dated 27 July 2005 to allot, issue and otherwise deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of the resolution approving such mandate;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	to the best of the directors’ knowledge, information and belief having made all reasonable enquiry, a third party and its ultimate beneficial owner (as applicable) being independent of the Company and its connected persons (as defined in the GEM Listing Rules);

“New General Mandate”	the variation of the existing General Mandate to authorise the Directors to issue and allot and otherwise deal in up to 586,950,000 Consolidated Shares being 20% of the share capital of the Company upon the Share Consolidation becoming effective;
“PRC”	the People’s Republic of China, and solely for the purpose of this announcement, excludes Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan;
“Post-IPO Scheme”	the Company’s post-IPO share option scheme adopted on 5 July 2002;
“Pre-IPO Scheme”	The Company’s pre-IPO share option scheme adopted on 5 July 2002;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Shareholders to be convened and held to consider, if thought fit, to approve the Share Consolidation, the New General Mandate and the variation of the Special General Mandate;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Share Consolidation”	the proposed consolidation of every two Shares of HK\$0.01 each into one Consolidated Share of HK\$0.02 each;
“Share Option(s)”	option(s) for the subscription of Shares granted pursuant to the Pre-IPO Scheme and the Post-IPO Scheme;
“Special General Mandate”	the Special General Mandate granted by the Shareholders at a special general meeting of the Company dated 27 July 2005 authorising the Board to allot and issue up to 126,000,000 Shares attaching to the 2008 Notes;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscribers”	two individual investors, namely, Mr. Ma She Shing, Albert and Chen Zhi Cheng who are Independent Third Parties and independent of each other and who have conditionally agreed to subscribe or procure subscribers for the Subscription Shares pursuant to the Subscription Agreements;

“Subscription”	the proposed conditional issue of the Subscription Shares pursuant to the Subscription Agreements;
“Subscription Agreement”	collectively, the subscription agreements entered into between the Company and the respective Subscribers on 19 December 2005 in relation to the Placing;
“Subscription Price”	the subscription price of HK\$0.20 per Consolidated Share to be subscribed pursuant to the Placing;
“Subscription Shares”	30,000,000 Consolidated Shares conditionally agreed to be subscribed by the Subscribers on the terms set out in the Subscription Agreements;
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers;
“Trading Days”	days on which the Stock Exchange is opened for dealings in securities;
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong; and
“%”	per cent.

By Order of the Board
Inno-Tech Holdings Limited
Wong Yuen Yee
Chairman

20 December 2005

As at the date of this announcement, the Board comprises:

Executive Directors:

Ms. Wong Yuen Yee (*Chairman*)
Mr. Wong Kwok Sing (*Deputy Chairman*)
Mr. Wong Yao Wing, Robert
Mr. Lam Shiu San

Independent non-executive Directors:

Ms. Wu Wai Yee, Annis
Mr. Wong Tak Leung, Charles
Ms. Ho Chui Yin, Liwina

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 publication.