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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)**

### **DISCLOSEABLE TRANSACTION SHARE EXCHANGE AGREEMENT**

#### **THE EXCHANGE**

On 21 January 2008, UPMG, which is owned as to approximately 35.57% by Autoscale, a subsidiary which is owned as to approximately 56% by the Company, entered into the Share Exchange Agreement with Cavalier and the Selling Shareholders pursuant to which Cavalier agreed to purchase, and the Selling Shareholders agreed to sell, all the issued shares in the capital of UPMG respectively held by them in consideration for the issue and allotment of an aggregate of 42,658,000 Cavalier Shares to the Selling Shareholders proportionate to their shareholding interests in UPMG at 2,000 Cavalier Shares for each share in UPMG.

The Exchange constitutes a discloseable transaction for the Company under the GEM Listing Rules. A circular containing details of the Share Exchange Agreement and the Exchange contemplated therein will be despatched to shareholders of the Company as soon as practicable.

\* *for identification purpose only*

## A. THE EXCHANGE

### 1. The Share Exchange Agreement

*Date:*

21 January 2008

*Parties:*

- (1) Selling Shareholders : ordinary shareholders of UPMG holding the entire issued share capital of UPMG immediately before the Exchange, including holders of convertible preference shares who will convert the same into ordinary shares in UPMG before completion of the Exchange.
- (2) Purchaser : Cavalier, a company incorporated in the State of Wyoming, the common shares of which are traded on the Over-The-Counter Bulletin Board of the United States. Cavalier has not engaged in any business since its incorporation. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Cavalier and its ultimate owners are Independent Third Parties.
- (3) UPMG : UPMG, as at the date of this announcement is owned as to approximately 35.57%, approximately 0.628% and approximately 0.646% by Autoscale, Motion Gain Inc. and Egoal Expertise Limited, respectively. Autoscale is owned as to approximately 5% and 5% by Ms. Wong Yuen Yee and Mr. Wong Yao Wing, Robert, respectively. Motion Gain Inc. and Egoal Expertise Limited are wholly owned by Mr. Wong Kwok Sing. Information about the business of UPMG is set out in the paragraph headed "Information on UPMG" below.

*Subject matter:*

Pursuant to the Share Exchange Agreement, the Selling Shareholders will sell to Cavalier the entire issued share capital of UPMG.

*Consideration:*

Cavalier will allot and issue to the Selling Shareholders an aggregate of 42,658,000 Cavalier Shares i.e. 2,000 Cavalier Shares for each share in UPMG. Autoscale, which owns 6,000 shares in UPMG, will be allotted 12,000,000 Cavalier Shares.

The consideration is determined after arm's length negotiation with the existing shareholders of Cavalier taking into account the fact that shares in Cavalier are quoted on the Over-The-Counter Bulletin Board of the United States and this would provide UPMG means to raise future capital when such need arises. Besides, shareholders of UPMG would become shareholders of a public company as a result of the Exchange. As the nominal value of each Cavalier Share is US\$0.001, the parties agreed that 42,658,000 Cavalier Shares shall be issued and allotted to the Selling Shareholders which hold an aggregate of 21,329 shares in UPMG, representing the entire issued share capital of UPMG immediately before completion of the Exchange. As at the date of this announcement, Autoscale's effective interest in UPMG is approximately 35.57% and upon conversion of all convertible preference shares in UPMG before completion of the Exchange, Autoscale's effective interest in UPMG will decrease to approximately 28.13%. The Directors are of the view that the abovementioned benefits would justify the dilution of Autoscale's interest in UPMG from approximately 28.13% to approximately 23.93%.

As at the date of this announcement, there is no expansion plan for UPMG. In the event of any formulation of expansion plan in the future which require further capital, the Company would comply with the relevant disclosure obligations under the GEM Listing Rules.

It is expected that a gain of approximately US\$2,180,390 will be accrued to the Company as a result of the Exchange. Such expected gain was based on the deemed gain as a result of the decrease of the net liabilities of UPMG attributable to Autoscale arising from the dilution of its shareholding interests in UPMG after completion of the Exchange.

*Conditions Precedent:*

Completion of the Exchange is conditional upon fulfilment of the following Conditions Precedent, among others:

- (a) The representations and warranties of UPMG, the Selling Shareholders and Cavalier set forth in the Share Exchange Agreement remain true, correct and complete in all respects as of the Closing;
- (b) All of the covenants and obligations that UPMG, the Selling Shareholders and Cavalier are required to perform or to comply with pursuant to the Share Exchange Agreement at or prior to the Closing must have been performed and complied with in all material respects;
- (c) UPMG and Cavalier having received duly executed copies of all third party consents and approvals contemplated by the Share Exchange Agreement, if any;
- (d) UPMG having delivered to Cavalier its financial statements for two fiscal years, prepared in accordance with USGAAP and audited by an independent auditor registered with the Public Company Accounting Oversight Board in the United States;
- (e) UPMG, Cavalier and their respective accountants having been reasonably satisfied with their due diligence investigation and review of the financial statements of UPMG and Cavalier; and

- (f) UPMG and Cavalier having been reasonably satisfied with their due diligence investigation of UPMG and Cavalier that is reasonable and customary in a transaction of a similar nature to that contemplated by the Exchange.

As at the date of this announcement, none of the Conditions Precedent has been fulfilled.

## 2. Information on UPMG

UPMG is principally engaged in the business of infrastructure investment in boutique units in hospitals or medical centres of its business partners and providing hospital management and medical consultation services through co-operation with hospitals and medical institutions in the PRC and Macau on one hand and strategic alliances with medical institutions in the United States and experienced healthcare experts and medical consultants on the other hand.

As at the date of this announcement, UPMG has 16,865 issued ordinary shares and 5,064 convertible preference shares amongst which 4,464 preference shares will be converted into 4,464 ordinary shares in the capital of UPMG at the conversion price of US\$2,500 per share before completion of the Exchange. There is no outstanding options in the capital of UPMG.

Under the USGAAP, the unaudited consolidated net liabilities of the UPMG Group as at 30 September 2006 and 30 September 2007 are US\$10,175,154 and US\$11,703,473, respectively. Under the Hong Kong accounting standards, the audited consolidated net asset value of the UPMG Group as at 30 September 2006 is HK\$42,199,060. The substantial amount of net liabilities of the UPMG Group under the USGAAP was due to the accounting treatment under the USGAAP which would recognize all outstanding convertible preference shares as liabilities of the Company amounting to approximately US\$10,903,959. There was also approximately US\$5 million impairment adjustment, details of the major components constituting the adjustments are set out below.

Under the USGAAP, the unaudited consolidated profit/(loss) before and after tax of the UPMG Group for the two financial years ended 30 September 2007 are as follows:

	<b>For the year ended 30 September 2006</b>	<b>For the year ended 30 September 2007</b>
	<i>US\$</i>	<i>US\$</i>
Consolidated profit/(loss) before tax	(7,704,094)	(211,991)
Consolidated profit/(loss) after tax	(7,704,094)	(211,991)

Under the Hong Kong accounting standards, the unaudited consolidated loss before and after tax of the UPMG for the year ended 30 September 2006 are HK\$29,126,935 and HK\$29,521,974, respectively.

Under the USGAAP, the auditors have a more onerous duty to advise on write-off and impairment provisions and did strongly advise the management of UPMG to make such provisions. In view of the advice given by the auditors, the management of UPMG agreed to adopt this approach which was in line with the practice in the United States. As such, the following provisions have been made:

- (i) Fixed assets write-off of approximately HK\$14.8 million - They are fixtures and furniture paid for by UPMG and located at various medical centers. According to the arrangement between UPMG and its partners, the value of the fixed assets will be recouped over the period of co-operation. At the time of the preparation of the financial information for the Major and Connected Transaction, there is no evidence that the cost cannot be recouped. Subsequently, the parties have been negotiating a change in the co-operation model with the partners. The management of UPMG was of the opinion that it was more prudent to write-off the amount at the time of preparation of accounts for the Exchange rather than wait until the conclusion of the negotiation. Accordingly, the amounts were written off. As a result of the write-off, the previously depreciated amount in the amount of approximately HK\$3.9 million was written back; and
- (ii) Impairment loss of approximately HK\$19.5 million - They consist of fees paid to consultants for training, consultancy and setting up the medical centers under licence agreements previously entered into by the parties. Under the Hong Kong accounting standards, such service fees paid have been recorded as intangible assets in the financial statements. During the course of preparation of the financial statements under the USGAAP, such intangible assets should be expensed and recognized as impairment loss.

The Directors confirm that no financial statements of UPMG have been prepared under the Hong Kong accounting standards for the year ended 30 September 2007.

Based on the information provided by the management of UPMG and after reasonable enquiries, the Directors confirm that there would not be any material difference in the information obtained in the financial statements of UPMG for the year ended 30 September 2007 should the same have been prepared under the Hong Kong accounting standards.

As at the date of this announcement, UPMG is owned as to approximately 35.57%, approximately 0.628% and approximately 0.646% by Autoscale, Motion Gain Inc. and Egoal Expertise Limited, respectively. Autoscale is owned as to approximately 5% and 5% by Ms Wong Yuen Yee and Mr. Wong Yao Wing, Robert, respectively. Motion Gain Inc. and Egoal Expertise Limited are wholly owned by Mr. Wong Kwok Sing. Save as aforementioned, none of the Selling Shareholders are connected persons of the Company.

### 3. Information on Cavalier

Cavalier is a company incorporated in the state of Wyoming on 11 February 2005. Since its inception, Cavalier has not had any operations. As at the date of this announcement, Cavalier has issued 7,490,000 Cavalier Shares. The shareholding structure of Cavalier before and after completion of the Exchange is as follows:

Name of shareholder	Shareholding structure of Cavalier as at the date of this announcement	Shareholding structure of Cavalier as at Closing
	Approximate % of the issued share capital of Cavalier	Approximate % of the issued share capital of Cavalier
Gerald W. Williams	53.40%	9.38%
Public Shareholders	46.6%	5.62%
Autoscale <sup>1, 4</sup>	0	23.93%
Other shareholders of UPMG <sup>2, 3</sup>	0	61.07%
Total:	100%	100%

*Notes:*

1. Ms. Wong Yuen Yee and Mr. Wong Yao Wing, Robert are interested in 5% and 5% of the issued share capital of Autoscale, respectively.
2. Other shareholders of UPMG include Egoal Expertise Limited and Motion Gain Inc., both are entirely owned by Mr. Wong Kwok Sing, which are interested in approximately 0.66% and 0.65% of the issued share capital of UPMG, respectively.
3. Save for Mr. Wong Kwok Sing, who is interested in approximately 0.646% and approximately 0.628% in UPMG through Egoal Expertise Limited and Motion Gain Inc. respectively, other shareholders of UPMG are Independent Third Parties.
4. Autoscale is owned as to approximately 56% by the Company. Save for Ms. Wong Yuen Yee and Mr. Wong Yao Wing, Robert, who are interested in 5% and 5% of the issued share capital of Autoscale, other shareholders of Autoscale are Independent Third Parties. Autoscale is not a connected person of the Company.

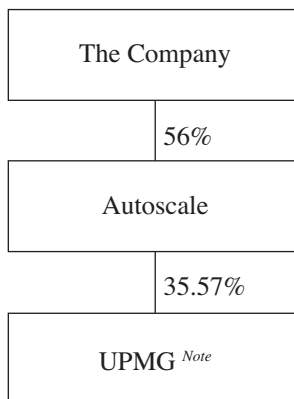
The common stocks of Cavalier are quoted on the Over-The-Counter Bulletin Board of the United States. Since Cavalier has not commenced its operation, its shares have not commenced trading on the Over-The-Counter Bulletin Board of the United States. Upon completion of the Exchange, Cavalier will be interested in the entire issued share capital of UPMG.

The unaudited consolidated net assets/(liabilities) of Cavalier as at 31 August 2006 and 31 August 2007 based on USGAAP is US\$44,126 (equivalent to approximately HK\$344,183) and US\$(1,619) (equivalent to approximately HK\$(12,628)).

The audited consolidated loss of Cavalier for the financial year ended 31 May 2006 and 31 May 2007 were US\$21,639 (equivalent to approximately HK\$168,784) and US\$53,653 (equivalent to approximately HK\$418,493), respectively.

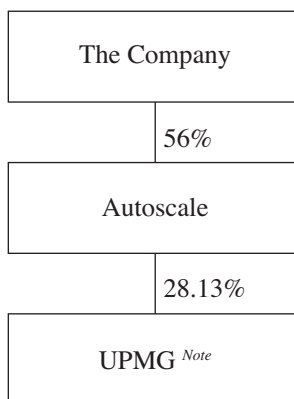
#### 4. Shareholding structure of UPMG before and immediately after completion of the Exchange

*Shareholding structure of UPMG as at the date of this announcement without taking into account the effect of conversion of all preference shares*



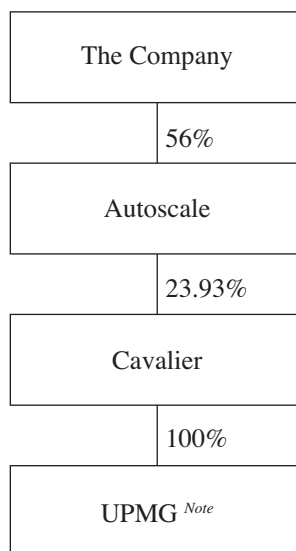
*Note* : Save for Mr. Wong Kwok Sing, who is interested in approximately 0.646% and approximately 0.628% in UPMG through Egoal Expertise Limited and Motion Gain Inc. respectively, other shareholders of UPMG are Independent Third Parties.

*Shareholding structure of UPMG immediately before completion of the Exchange having taken into account the effect of conversion of all preference shares*



*Note* : Save for Mr. Wong Kwok Sing, who is interested in approximately 0.646% and approximately 0.628% in UPMG through Egoal Expertise Limited and Motion Gain Inc. respectively, other shareholders of UPMG are Independent Third Parties.

*Shareholding structure of UPMG immediately after completion of the Exchange having taken into account the effect of conversion of all preference shares*



*Note* : Save for Mr. Wong Kwok Sing, who is interested in approximately 0.646% and approximately 0.628% in UPMG through Egoal Expertise Limited and Motion Gain Inc. respectively, other shareholders of UPMG are Independent Third Parties.

## **B. REASONS FOR THE EXCHANGE**

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.

The Exchange will result in the holding of the UPMG Group by Cavalier, the shares of which are quoted and traded on the Over-The-Counter Bulletin Board of the United States which will provide a platform to raise fund to finance the expansion of the business of UPMG. The Over-The-Counter Bulletin Board is a regulated quotation services that displays real-time, last-sale prices and volume information in over-the-counter equity securities. It is a service operated by the National Association of Securities Dealers (“**NASD**”). In order for a company to have a quote posted or its security, a market maker who is a member of the NASD must apply to the NASD to have a quote posted. An issuer does not need to submit an application nor does it need to pay any application or listing fee. The sole rule applicable to the issuer whose shares are quoted on the Over-The-Counter Bulletin Board is that it must file reports to the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934. Equity securities traded on Over-The-Counter Bulletin Board are traded via a dealer network as opposed to a centralized exchange. The securities are traded by broker-dealers who negotiate directly with one another over computer networks and by phone. Therefore, having securities quoted on the Over-The-Counter Bulletin Board will make it easier for a company to raise capital. The Over-The-Counter Bulletin Board provides a platform for shareholders, via dealers to trade in their interest and the filing requirements improve the transparency of the company, both of which make companies whose securities are quoted on the Over-The-Counter Bulletin Board more attractive to investors. Upon completion of the Exchange, Cavalier and UPMG will be accounted for as associated companies of the Group.



Taking into account the abovementioned factors, the Directors (including the independent non-executive Directors) are of the view that the terms of the Share Exchange Agreement and the Exchange are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

A circular containing details of the Share Exchange Agreement and the Exchange contemplated therein will be dispatched to shareholders of the Company as soon as practicable.

## C. DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“Autoscale”	Autoscale Resources Limited, a company incorporated in the British Virgin Islands and as at the date of this announcement held as to approximately 56% by the Company;
“Cavalier”	The Cavalier Group, a company incorporated in the State of Wyoming whose shares are traded on the Over-The-Counter Bulletin Board of the United States;
“Cavalier Share(s)”	common stock of Cavalier with par value of US\$0.001 each;
“Closing”	the completion of the Exchange pursuant to the terms of the Share Exchange Agreement;
“Company”	Inno-tech Holdings Limited, an exempted company incorporated in Bermuda with limited liability, whose shares are listed on the GEM of the Stock Exchange;
“Conditions Precedent”	the conditions precedent to the Exchange as set out in the paragraph headed “The Share Exchange Agreement – Conditions Precedent” in this announcement, and each a “Condition Precedent”;
“Directors”	the directors of the Company;
“Exchange”	the transfer of the entire issued share capital of UPMG to Cavalier in exchange for the 42,658,000 Cavalier Shares as contemplated in the Share Exchange Agreement;
“GEM”	the Growth Enterprise Market on the Stock Exchange;
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries and members of the Group shall be construed accordingly;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;

“Independent Third Party”	an independent third party not connected with the directors, chief executives and substantial shareholders of the Company and its subsidiaries and their respective associate (as defined in the GEM Listing Rules);
“Macau”	The Macau Special Administrative Region of the PRC;
“Major and Connected Transaction”	The acquisition by the Company of the aggregate of 56% interest in the issued share capital of Autoscale from Ms. Wong Yuen Yee and Mr. Wong Yao Wing, Robert as announced in the announcement of the Company dated 6 March 2007;
“PRC”	The People’s Republic of China, which for the sole purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“Selling Shareholders”	ordinary shareholders of UPMG holding the entire issued share capital of UPMG immediately before the Exchange, including holders of convertible preference shares who will convert the same into ordinary shares in UPMG before the Exchange;
“Share(s)”	share(s) of HK\$0.02 each in the capital of the Company;
“Share Exchange Agreement”	the share exchange agreement dated 21 January 2008 and entered into between Cavalier, UPMG and the Selling Shareholders in relation to the Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“United States”	United States of America;
“UPMG”	United Premier Medical Group Limited, a company incorporated in the Cayman Islands and as at the date of this announcement is held as to approximately 35.57% by Autoscale;
“UPMG Group”	UPMG and its subsidiaries, as shown in the diagram set out in the paragraph headed “Shareholding structure of UPMG before and upon completion of the Exchange” in this announcement;
“USGAAP”	The United States Generally Accepted Accounting Principles;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“US\$”	United States dollars, the lawful currency of the United States.

By Order of the Board of  
**INNO-TECH HOLDINGS LIMITED**  
**Wong Yuen Yee**  
*Chairman*

Hong Kong, 25 January 2008

*All amounts in US\$ have been translated in HK\$ at a rate of US\$1.00 = US\$7.8 in this announcement for illustration only.*

*As at the date of this announcement, the Board comprises four executive Directors, namely, Ms. Wong Yuen Yee (Chairman), Mr. Wong Yao Wing, Robert (Deputy Chairman), Mr. Wong Kwok Sing and Mr. Lam Shiu San; and three independent non-executive Directors, namely Mr. Wong Tak Leung, Charles, Mr. Lai Ying Sum and Mr. Cheng King Hung.*

*This announcement, 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: (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 on the GEM website at [www.hkgem.com](http://www.hkgem.com) and on the website of the Company at [www.it-holdings.com](http://www.it-holdings.com) for 7 days from the date of this posting.*