

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, 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 **Inno-Tech 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



INNO-TECH HOLDINGS LIMITED
匯 創 控 股 有 限 公 司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 8202)

**DISCLOSEABLE TRANSACTIONS
SHARE EXCHANGE AGREEMENT
AND
ACQUISITION OF HOTEL PROPERTIES IN
THE PEOPLE'S REPUBLIC OF CHINA**

This circular will remain on the GEM website at www.hkgem.com for 7 days from the day of its posting.

CHARACTERISTICS OF GEM

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 of the Stock Exchange 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 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.

RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (1) the information contained in this circular 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 circular misleading; and (3) 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.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
A. Introduction	5
B. The Exchange	6
1. The Share Exchange Agreement	6
2. Information on UPMG	9
3. Information on Cavalier	11
4. Shareholding Structure of UPMG Before and Immediately After Completion of the Exchange	12
5. Reasons for the Exchange	13
C. The Acquisition	14
1. The Sale and Purchase Agreement	14
2. Information on Homesmart and the Kaiping Hotel Property	16
3. Reasons for the Acquisition of the Hotel Properties	17
D. Further Information	18
APPENDIX – GENERAL INFORMATION	19

DEFINITIONS

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

“Acquisition”	the acquisition of the Homesmart Share as contemplated under the Sale and Purchase Agreement;
“Autoscale”	Autoscale Resources Limited, a company incorporated in the British Virgin Islands and as at the Latest Practicable Date as to approximately 56% by the Company;
“Board”	the board of Directors;
“Cavalier Share(s)”	common stock of Cavalier with par value of US\$0.001 each;
“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;
“China Earn S&P Agreement”	the sale and purchase agreement dated 5 November 2007 entered into between Smart Boom Development Limited and Inno Hotel Investment in relation to the China Earn Share;
“China Earn Share”	the one share of HK\$1.00 in the capital of China Earn;
“China Earn”	China Earn Limited 中澤有限公司;
“Closing”	the completion of the Exchange pursuant to the terms of the Share Exchange Agreement;
“Company”	Inno-Tech Holdings Limited (匯創控股有限公司*), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM;
“Conditions Precedent”	the conditions precedent to the Exchange as set out in the paragraph headed “The Share Exchange Agreement – Conditions Precedent” in this circular, and each a “Condition Precedent”;
“Directors”	the directors of the Company;

* for identification purposes only

DEFINITIONS

“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 Listing Rules”	Rules Governing the Listing of Securities on GEM;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“Group”	the Company and its subsidiaries and members of the Group shall be construed accordingly;
“Homesmart Share”	the one share of HK\$1.00 in the capital of Homesmart;
“Homesmart WFOE”	the wholly foreign owned enterprise to be established in the PRC and wholly owned by Homesmart;
“Homesmart”	Homesmart Properties Limited 康澤有限公司;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party(ies) independent of the Company and the connected persons of the Company (within the meaning of the GEM Listing Rules);
“Inno Hotel Investment”	Inno Hotel Investment & Management Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Kaiping Hotel Property”	the property comprises two four-storey buildings and one seven-storey building located at No.22 Xi Jiao Road, Chang Sha, San Bu Town, Kaiping City, Guangdong Province, the PRC, with a total gross floor area of approximately 4,387.29 square metres;
“Latest Practicable Date”	13 February 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“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;

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, which, for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Previous Acquisitions”	the acquisition of the Sunny Team Share and the China Earn Share as contemplated under the Sunny Team S&P Agreement and the China Earn S&P Agreement, respectively;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 4 February 2008 entered into between the Vendor and Inno Hotel Investment in relation to the Homesmart Share;
“Sale Shares”	the Sunny Team Share, the China Earn Share and the Homesmart Share;
“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;
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“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;
“Share(s)”	share(s) of HK\$0.02 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sunny Team S&P Agreement”	the sale and purchase agreement dated 5 November 2007 entered into between Smart Boom Development Limited and Inno Hotel Investment in relation to the Sunny Team Share;
“Sunny Team Share”	the one share of HK\$1.00 in the capital of Sunny Team;
“Sunny Team”	Sunny Team Corporation Limited 日匯有限公司;
“United States”	United States of America;
“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 circular;

DEFINITIONS

“UPMG”	United Premier Medical Group Limited, a company incorporated in the Cayman Islands and as at the Latest Practicable Date is held as to approximately 35.57% by Autoscale;
“USGAAP”	The United States Generally Accepted Accounting Principles;
“Vendor”	Smart Boom Investments Limited 智盛投資有限公司, a company established in the British Virgin Islands;
“Long Stop Date”	any date within 3 months from the date of the Sale and Purchase Agreement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“US\$”	United States dollars, the lawful currency of the United States; and
“%”	per cent.

In this circular, all amounts in RMB are converted into HK\$ at the exchange rate of RMB0.959: HK\$1.00 and all amounts in US\$ are converted into HK\$ at the exchange rate US\$1.00: HK\$7.8 for illustration only. The conversion rates are for the purpose of illustration only and do not constitute representations that any amounts have been, could have been, or may be exchanged at the aforementioned or any other rates.

LETTER FROM THE BOARD



INNO-TECH HOLDINGS LIMITED
匯 創 控 股 有 限 公 司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 8202)

Directors:

Ms. Wong Yuen Yee (*Chairman*)
Mr. Wong Yao Wing, Robert (*Deputy Chairman*)
Mr. Wong Kwok Sing
Mr. Lam Shiu San
Mr. Wong Tak Leung, Charles*
Mr. Lai Ying Sum*
Mr. Cheng King Hung*

* *Independent Non-Executive Director*

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal

Place of Business:
Room 903
Tung Wai Commercial Building
109-111 Gloucester Road
Wanchai
Hong Kong

15 February 2008

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTIONS
SHARE EXCHANGE AGREEMENT
AND
ACQUISITION OF HOTEL PROPERTIES IN
THE PEOPLE'S REPUBLIC OF CHINA**

A. INTRODUCTION

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.

* *for identification purposes only*

LETTER FROM THE BOARD

The Exchange constitutes a discloseable transaction for the Company under the GEM Listing Rules.

On 4 February 2008, Inno Hotel Investment, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor in relation to the acquisition of the entire issued share capital of Homesmart for a consideration of RMB20 million (equivalent to approximately HK\$20.86 million).

Homesmart will establish a wholly foreign owned enterprise in the PRC for the purpose of holding the Kaiping Hotel Property. Completion of the Acquisition will be conditional upon, among others, the establishment of Homesmart WFOE and the transfer of title of the Kaiping Hotel Property to Homesmart WFOE.

Reference is made to an announcement of the Company dated 6 November 2007 in relation to the Previous Acquisitions. As the Previous Acquisitions and the Acquisition involved acquisition of property interests from the same beneficial owner within a 12 month period, the Previous Acquisitions and the Acquisition will be aggregated under Rule 19.23 of the GEM Listing Rules for the purpose of determining the relevant classification of the transactions. Save for the Previous Acquisition and the Acquisition, the Company does not have any other transaction with the Vendor and/or its ultimate beneficial owners.

The acquisition of the Sale Shares in aggregate constitutes a discloseable transaction for the Company under the GEM Listing Rules.

The purpose of this circular is to provide you with further information relating to the Share Exchange Agreement and the Sale and Purchase Agreement.

B. 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.

LETTER FROM THE BOARD

- (2) Purchaser : Cavalier, a company incorporated in the State of Wyoming, United States, 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 Latest Practicable Date 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 Latest Practicable Date, 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

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 Latest Practicable Date, none of the Conditions Precedent has been fulfilled.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 option 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:

	For the year ended 30 September 2006	For the year ended 30 September 2007
	<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.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

3. INFORMATION ON CAVALIER

Cavalier is a company incorporated in the state of Wyoming, the United States on 11 February 2005. Since its inception, Cavalier has not had any operations. As at the Latest Practicable Date, 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 Latest Practicable Date Approximate % of the issued share capital of Cavalier	Shareholding structure of Cavalier as at Closing Approximate % of the issued share capital of Cavalier
Gerald W. Williams	53.40%	9.38%
Public Shareholders	46.6%	5.62%
Autoscale ^{1, 4}	0	23.93%
Other shareholders of UPMG ^{2, 3}	0	61.07%
Total:	100%	100%

Notes:

- Ms. Wong Yuen Yee and Mr. Wong Yao Wing, Robert are interested in 5% and 5% of the issued share capital of Autoscale, respectively.
- 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.
- 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.
- 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.

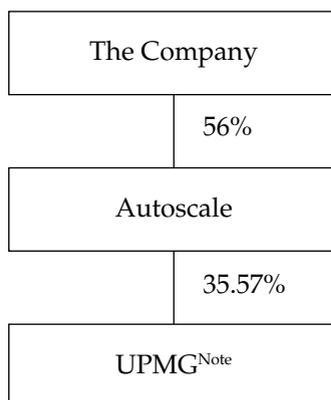
The unaudited consolidated net assets/(liabilities) of Cavalier as at 31 August 2006 and 31 August 2007 based on USGAAP is US\$44,126 (equivalent to approximately HK\$344,183) and US\$(1,619) (equivalent to approximately HK\$(12,628)).

LETTER FROM THE BOARD

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.

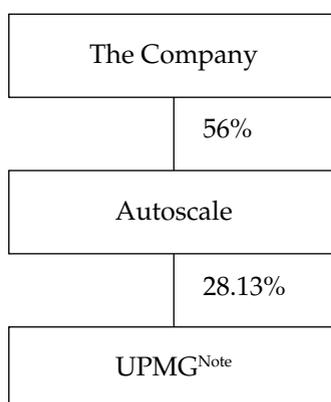
4. SHAREHOLDING STRUCTURE OF UPMG BEFORE AND IMMEDIATELY AFTER COMPLETION OF THE EXCHANGE

Shareholding structure of UPMG as at the Latest Practicable Date 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.

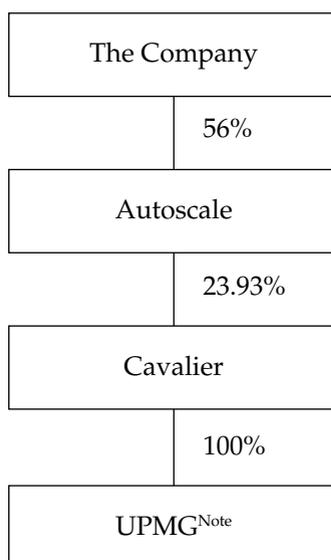
Shareholding structure of UPMG immediately before completion of the Exchange having taken into account the effect of conversion of all preference shares



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.

LETTER FROM THE BOARD

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.

5. 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

LETTER FROM THE BOARD

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.

Furthermore, the Exchange is not expected to have any material impact on the earnings and assets and liabilities 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.

C. THE ACQUISITION

1. THE SALE AND PURCHASE AGREEMENT

Date:

4 February 2008

Parties:

- (1) The Vendor : Smart Boom Investment Limited 智盛投資有限公司, a company incorporated in the British Virgin Islands. The principal business of the Vendor and its beneficial owners are property investment in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are Independent Third Parties.
- (2) The purchaser : Inno Hotel Investment, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

Subject matter:

One share of HK\$1.00 in the capital of Homsmart, representing the entire issued share capital of Homsmart.

LETTER FROM THE BOARD

Consideration:

The consideration for Homesmart Share is RMB20 million (equivalent to approximately HK\$20.86 million) and shall be satisfied by Inno Hotel Investment in the following manner:

- (a) as to RMB10 million (equivalent to approximately HK\$10.43 million) upon the signing of the Sale and Purchase Agreement;
- (b) as to RMB8 million (equivalent to approximately HK\$8.34 million) upon:
 - (i) establishment of Homesmart WFOE and obtaining all the licences and permits required for its operation; and (ii) completion and satisfaction of the results of the due diligence review of the affairs of Homesmart and Homesmart WFOE; and
- (c) the remaining balance in the amount of RMB2 million (equivalent to approximately HK\$2.09 million) will be paid in cash upon completion of the Sale and Purchase Agreement.

The consideration is arrived at after arm's length negotiation between the parties taking into account the valuation of the Kaiping Hotel Property as at 29 January 2008 prepared by an independent property valuer of RMB20,000,000. The valuation was prepared on an open market basis by the Comparison Approach assuming sale in the existing state of the Kaiping Hotel Property subject to existing tenancies and by making reference to comparable sales evidence as available in the relevant market. The Directors consider the consideration to be fair and reasonable having considered: (i) the valuation of the independent property valuer and (ii) the present good condition and convenient location of the Kaiping Hotel Property. The Company intends to finance the payment of the consideration with internal resources.

Conditions precedent of the Sale and Purchase Agreement:

The Sale and Purchase Agreement is conditional upon fulfilment of the following conditions on or before the Long Stop Date:

- (a) the obtaining of an opinion from a firm of PRC lawyers to the satisfaction of Inno Hotel Investment on, inter alia, (i) the valid establishment of Homesmart WFOE and full contribution of the registered capital; (ii) the transfer of the title of the Kaiping Hotel Property to Homesmart WFOE; (iii) all operational leases on the Kaiping Hotel Property to be entered into by Homesmart WFOE are legally binding and enforceable and are in compliance with relevant laws and regulations of the PRC and that Homesmart WFOE shall be entitled to all rental income to be generated following completion of the Sale and Purchase Agreement; and (iv) Homesmart WFOE having obtained all necessary approvals, licences and permits for the operation of its business;

LETTER FROM THE BOARD

- (b) due establishment of Homesmart WFOE and Homesmart WFOE having obtained all necessary approvals, licences and permits for the operation of its business;
- (c) the transfer of title of the Kaiping Hotel Property to Homesmart WFOE and Homesmart WFOE having taken possession of the Kaiping Hotel Property and the ancillary facilities therein;
- (d) completion of the due diligence review of the affairs of Homesmart and Homesmart WFOE to the satisfaction of Inno Hotel Investment on or before the Long Stop Date;
- (e) approval of the Acquisition by the board of directors of Inno Hotel Investment and the Company, respectively; and
- (f) the representations and warranties in respect of Homesmart and the Kaiping Hotel Property as contained in the Sale and Purchase Agreement remaining true and accurate.

The abovementioned conditions can be waived at the discretion of Inno Hotel Investment. If any of the conditions cannot be fulfilled or waived by the Long Stop Date, the Sale and Purchase Agreement will be terminated and the Vendor will have to refund such amount of the consideration which it has received (without interests) to Inno Hotel Investment.

Completion:

Completion of the Sale and Purchase Agreement will take place on the seventh business day after fulfillment or waiver of the conditions precedent referred to above.

2. INFORMATION ON HOMESMART AND THE KAIPING HOTEL PROPERTY

Homesmart is a company incorporated in Hong Kong on 9 October 2007. Homesmart was incorporated for the sole purpose of establishing Homesmart WFOE, a wholly foreign owned enterprise to be established in the PRC. The registered capital of Homesmart WFOE is expected to be RMB18 million and will be fully paid up by the Vendor in cash. The title of the Kaiping Hotel Property will be registered in the name of Homesmart WFOE upon its establishment. Since its incorporation, Homesmart has not engaged in any business activities. Accordingly, as at the Latest Practicable Date, Homesmart does not have any asset or any profit or loss.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the current legal owner of the Kaiping Hotel Property and its beneficial owners are Independent Third Parties. The Vendor has a contractual arrangement with the current legal owner of the Kaiping Hotel Property to transfer the property to Homesmart WFOE at a consideration of RMB17.1 million (equivalent to approximately HK\$17.83

LETTER FROM THE BOARD

million). The transfer of the title of the Kaiping Hotel Property to Homesmart WFOE is a condition precedent of the Sale and Purchase Agreement. The Kaiping Hotel Property comprises two four-storey buildings and one seven-storey building located at No.22, Xi Jiao Road, Chang Sha, San Bu Town, Kaiping City, Guangdong Province, the PRC, with a floor area of approximately 4,387.29 square metre. The Company will take possession of the property in its present condition subject to all existing operational arrangements.

As at the Latest Practicable Date, the Kaiping Hotel Property contains a restaurant, a fast-food chain store, a hotel, a sauna and a wholesale shop which are operated by Independent Third Parties who are not the current legal owner. It is a condition precedent in the Sale and Purchase Agreement that such operational arrangements shall be entered into by Homesmart WFOE with the respective operators upon the establishment of Homesmart WFOE.

According to the information provided by the Vendor, the annual rentals derived from the Kaiping Hotel Property for the years ended 31 December 2006 and 31 December 2007 are RMB774,000 and RMB774,000, respectively.

3. REASONS FOR THE ACQUISITION OF THE HOTEL PROPERTIES

The Group is a software application solutions provider engaged in the provision of internet design for residential communities and e-property management software application consulting services based on the application of i-Panel and its integrated hardware and software in the PRC. It is the dual corporate strategy of the Company to strengthen its existing business, and at the same time seeking opportunities to expand into the medical industry and hotel industry utilizing its electronic software solutions as a platform.

The expansion strategy of the Group into the hotel industry comprises: (i) provision of hotel management services; and (ii) own and management of hotel assets. In pursuit of the first limb of this expansion strategy, it was announced on 11 October 2007, that the Group has entered into a joint venture agreement to form a joint venture which will principally engaged in the management and operation of economy hotels in the PRC. It was further announced on 29 October 2007 that the Group has signed nine management contracts with Independent Third Parties in relation to the management of nine hotels located in the Guangdong Province, the PRC.

On 5 November 2007, the Group entered into the China Earn S&P Agreement and the Sunny Team S&P Agreement and implemented the first step forward to the second limb of the expansion strategy and acquired property interests in hotel assets. The Acquisition is a further step to implement the second limb of the expansion strategy. The Directors and members of the senior management of the Group have substantive experience in real estate management and hospitality business. Leveraged on the experience of the Directors and the senior management of the Group, the Directors believe the Group is able to further expand and develop in the hotel industry.

LETTER FROM THE BOARD

Furthermore, the Acquisition is not expected to have any material impact on the earnings and assets and liabilities of the Group. Upon completion of the Sale and Purchase Agreement, Homesmart will become a wholly-owned subsidiary of the Company.

The Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

D. FURTHER INFORMATION

Your attention is drawn to the general information set out in the appendix to this circular.

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

1. 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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) 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.

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with respect to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interest in the Company

As at the Latest Practicable Date, the interests or short position of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and Section 347 of the SFO (including interests or short positions which is taken or deemed to have taken under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or as required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange are as follows:

(i) *Beneficial interest and short position in Shares as at the Latest Practicable Date*

Name of director	Personal Interests	Corporate Interests	Aggregate Interests	Percentage of the Company's issued share capital
Ms. Wong Yuen Yee (Note 1)	183,178,500	97,362,000	280,540,500	23.08%
Mr. Wong Kwok Sing (Note 1)	-	97,362,000	97,362,000	8.01%

Name of director	Personal Interests	Corporate Interests	Aggregate Interests	Percentage of the Company's issued share capital
Mr. Wong Yao Wing, Robert (Note 1)	183,178,500	97,362,000	280,540,500	23.08%
Mr. Lam Shiu San (Note 1)	-	97,362,000	97,362,000	8.01%
Mr. Cheng King Hung	700,000	-	700,000	0.06%

Notes:

- The 97,362,000 Shares are held by Multiturn Trading Limited, which is beneficially 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 Shiu San, respectively. Accordingly each of Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert and Mr. Lam Shiu San is deemed to be interested in the 97,362,000 Shares held by Multiturn Trading Limited under the SFO.
- Ms. Wong Yuen Yee, Mr. Wong Yao Wing, Robert and Multiturn Trading Limited are parties acting in concert under the Takeovers Code.

(ii) *Beneficial interests and short positions in underlying shares of equity derivatives of the Company as at the Latest Practicable Date:*

Directors	Date of grant	No. of shares attached to the option	Exercisable period	Exercise price per share
Ms. Wong Yuen Yee	23 August 2007	7,930,000	23 August 2007 to 22 August 2017	HK\$0.63
Mr. Wong Kwok Sing	23 August 2007	7,930,000	23 August 2007 to 22 August 2017	HK\$0.63
Mr. Wong Yao Wing, Robert	23 August 2007	7,930,000	23 August 2007 to 22 August 2017	HK\$0.63
Mr. Lam Shiu San	23 August 2007	7,930,000	23 August 2007 to 22 August 2017	HK\$0.63
Mr. Wong Tak Leung, Charles	23 August 2007	1,000,000	23 August 2007 to 22 August 2017	HK\$0.63
Mr. Lai Ying Sum	23 August 2007	1,000,000	23 August 2007 to 22 August 2017	HK\$0.63
Mr. Cheng King Hung	23 August 2007	1,000,000	23 August 2007 to 22 August 2017	HK\$0.63

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associates as well as the chief executives of the Group had any interests or short positions in the Shares and underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Substantial Shareholders' interests in the Company

As at the Latest Practicable Date, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity and nature of interest	Shares/equity derivatives	Number/ amount of Shares/equity derivatives held	Percentage of the Company's issued share capital as at the Latest Practicable Date
Multiturn Trading Limited	Corporate (Note 1)	Shares	97,362,000	8.01%

Note:

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 Shiu San, respectively, all of whom are executive Directors.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had or proposed to enter any service contract with the Company or any other member of the Group which is not expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. LITIGATION

The Company and a subsidiary of the Group are defendants in a legal action involving the alleged default payment for one of the installment payments to the plaintiff. The said subsidiary of the Group had acquired certain intellectual property in 2004 with consideration payable by quarterly installments and the Company is a guarantor.

The plaintiff is claiming for the amount of HK\$2,550,000, being the full remaining balances of the consideration payable to the plaintiff in June 2006, together with interest thereon and cost. The Group settled the disputed installment payment as well as the subsequent installments which were due for repayment from time to time. The remaining balance of the consideration payable of HK\$1,050,000 to the plaintiff as at 31 December 2007 had already been included in the Group's consolidated balance sheet.

The directors of the Company, based on legal advice, consider that the action will remain pending for a while but it can be successfully defended and therefore no further provision will be required.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

5. COMPETING INTEREST

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. THE COMPANY'S AUDIT COMMITTEE

The Company's audit committee comprises of three members, namely Mr. Wong Tak Leung, Charles ("Mr. Wong"), Mr. Lai Ying Sum ("Mr. Lai") and Mr. Cheng King Hung ("Mr. Cheng"), all of whom are independent non-executive Directors.

Mr. Wong graduated from The University of Hong Kong in 1972 with a bachelor degree of Science and became a Solicitor of the Supreme Court of Hong Kong in 1976, a solicitor of the Supreme Court of England & Wales in 1978, Barrister & Solicitor of the Supreme Court of Victoria, Australia in 1983, a Notary Public since 1987, Advocate &

Solicitor of Supreme Court of Republic of Singapore in 1990. Mr. Wong is currently a partner of Messrs. Lo, Wong & Tsui, Solicitors. Mr. Wong has sat as a Temporary Deputy Registrar of the High Court and he is also an Assistant Chief Commissioner of the Scout Association of Hong Kong.

Mr. Lai is the proprietor of Sam Lai & Co., a CPA firm in Central. Mr. Lai was admitted as member and fellow member of the Association of Chartered Certified Accountants in 1994 and 1999 respectively. He has over 16 years of experience in auditing and serving as an advisor of different companies. Mr. Lai holds two master degrees, an MBA degree from the University of Edinburgh and a Master of Science Degree in Business Economics from the Chinese University of Hong Kong. Mr. Lai also holds a Bachelor Degree of Laws from the University of London and is a member of the Taxation Institute of Hong Kong.

Mr. Cheng graduated from the Southern Illinois University at Carbondale, United States of America with a Bachelor of Science in Special Major: Film-Television Communication in 1980. Mr. Cheng obtained the degree of Master of Philosophy in Communication from the Chinese University of Hong Kong in 1986 and the degree of Doctor of Philosophy from the Research Institute in Chinese Literature and History, Hong Kong Chu Hai College in 1991. Mr. Cheng has worked as a copywriter with the Television and Broadcasting Limited from 1980 to 1981. Between 1981 and 1990, Mr. Cheng was an information officer with the Government Information Services. Mr. Cheng left the civil service in 1990 to join the Kowloon-Canton Railway Corporation as a community relations manager until 1992. Mr. Cheng was Head of News & Media Section of Hong Kong University of Science and Technology between 1992 to 2000. Mr. Cheng has been a school manager of YLPMS Tang Siu Tong Secondary School since 2005 and is currently the chairman of Writers Fellowship and executive committee member of Group 26 (environmental industries) of the Federation of Hong Kong Industries.

None of the three audit committee members have served or are serving as directors of other companies listed on the GEM or the Main Board of the Stock Exchange or any other stock exchanges. The function of the Company's audit committee includes, among other things:

- (a) to consider and make recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the audit fees and terms of engagement, and any questions of their resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and
- (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services.

7. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company is at Room 903 Tung Wai Commercial Building, 109-111 Gloucester Road, Wan Chai, Hong Kong.
- (c) The company secretary of the Company is Mr. Li Kar Fai, Peter who is also the qualified accountant of the Company. Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The compliance officer of the Company is Mr. Wong Yao Wing, Robert.
- (e) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.