THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you in doubt about any aspect of this circular or as to the action to be taken, you should consult appropriate independent advisers to obtain independent professional advice.

If you have sold or transferred all your securities in **Inno-Tech Holdings Limited**, you should at once hand this circular to the purchaser, transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

INNO-TECH HOLDINGS LIMITED

匯 創 控 股 有 限 公 司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8202)

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF APPROXIMATELY 23% INTEREST IN GREAT CHINA MEDIA HOLDINGS LIMITED

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

VEDA | CAPITAL
智略資本

A letter from the Board (as defined in this circular) is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee (as defined in this circular) containing its advice and recommendation to the Independent Shareholders (as defined in this circular) is set out on page 16 of this circular. A letter from Veda Capital (as defined in this circular) to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 34 of this circular.

A notice convening a special general meeting of the Company ("SGM") to be held at Room 903, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong at 11:30 a.m. on 16 February 2009 is set out on pages SGM-1 to SGM-2 of this circular. A proxy form is also enclosed. Whether or not you intend to attend and vote at the SGM or any adjourned meeting in person, please complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806–07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at www.it-holdings.com.

** for identification purposes only*

23 January 2009

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CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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

"Acquisition"	the acquisition of approximately 23% of the issued share capital of Great China Media by Shiny Step from Capital Base as contemplated under the Sale and Purchase Agreement;
"Board"	the Board of Directors;
"Business Day"	a day (other than Saturday or Sunday) on which banks are generally open in Hong Kong for normal business;
"Capital Base"	Capital Base Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 50% by Ms. Wong Yuen Yee and 50% by Mr. Wong Kwok Sing, both are executive Directors, as at the Latest Practicable Date;
"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;
"Completion"	completion of the Sale and Purchase Agreement;
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules;
"Consideration"	the consideration for the Acquisition;
"Conversion Price"	HK$0.0638 per Share, being the initial price per Share (subject to adjustment) at which the principal amount of the Convertible Note may be converted into Shares;
"Convertible Note"	the convertible note to be issued by the Company to Capital Base in the principal amount of HK$43,384,000 maturing on the second anniversary of the Issue Date;
"Director(s)"	the director(s) of the Company;
"Enlarged Group"	the Group after the Completion;

* *for identification purposes only*

"GEM"	the Growth Enterprise Market of the Stock Exchange;
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM;
"Great China Media"	Great China Media Holdings Limited (大中華媒體控股有限公司) (formerly known as China Outdoor Media Holdings Limited (中國戶外媒體控股有限公司)), a company incorporated in the British Virgin Islands and is owned as to approximately 49.32% by Capital Base as at the Latest Practicable Date;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	an independent board committee of the Board comprising all independent non-executive Directors, namely Mr. Wong Tak Leung, Charles, Mr. Lai Ying Sum and Mr. Cheng King Hung;
"Independent Shareholders"	holders of Shares other than Capital Base, Ms. Wong Yuen Yee and Mr. Wong Kwok Sing and their respective associates;
"Independent Third Parties"	third parties independent of and not connected with the Company or its connected persons;
"Issue Date"	date of issue of the Convertible Note;
"Latest Practicable Date"	20 January 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Maturity Date"	date of maturity of the Convertible Note, being the second anniversary of its date of issue;
"Placing"	placing of 48,000,000 new Shares through President Securities (Hong Kong) Limited, details of which are set out in the Company's announcements dated 29 October 2008 and 16 January 2009, respectively;

"PRC"	The People's Republic of China, which for the sole purpose of this circular excludes Hong Kong, Macau Special Administrative Region and Taiwan;
"Sale and Purchase Agreement"	the sale and purchase agreement dated 10 December 2008 entered into between Shiny Step and Capital Base in relation to the Acquisition;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
'SGM"	a special general meeting of the Company to be convened to be held at Room 903, Tung Wai Commercial Building, 109–111 Gloucester Road, Wanchai, Hong Kong at 11:30 a.m. on 16 February 2009 by the notice of meeting set forth in this circular or any adjournment of that meeting;
"Share(s)"	ordinary share(s) of HK$0.02 each in the issued share capital of the Company;
"Shareholder(s)"	holder(s) of Share(s);
"Shiny Step"	Shiny Step Investments Limited, a company incorporated in the British Virgin Islands;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Group"	Great China Media and its subsidiaries;
"Tai Di Ya"	深圳市泰迪亞廣告有限公司 (Shenzhen Tai Di Ya Advertising Company Limited*), a company incorporated in the PRC;
"Veda Capital"	Veda Capital Limited, a licensed corporation to carry on business in type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise on the Acquisition.

** for identification purposes only*

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*

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Clarendon House
2 Church Street
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Room 903
Tung Wai Commercial Building
109–111 Gloucester Road
Wanchai
Hong Kong

23 January 2009

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF APPROXIMATELY 23% INTEREST IN
GREAT CHINA MEDIA HOLDINGS LIMITED

INTRODUCTION

On 12 December 2008, the Board announced that on 10 December 2008, Shiny Step, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Capital Base pursuant to which Capital Base has agreed to sell and Shiny Step has agreed to acquire approximately 23% of the issued share capital of Great China Media at a consideration of HK$43,384,000 to be satisfied by the issue of the Convertible Note by the Company to Capital Base on Completion.

* *for identification purposes only*

As at the Latest Practicable Date, Capital Base is owned as to 50% by Ms. Wong Yuen Yee and as to 50% by Mr. Wong Kwok Sing, both are executive Directors. Accordingly, Capital Base is a connected person of the Company. Since the applicable percentage ratios set out in Rule 19.08 of the GEM Listing Rules in respect of the Acquisition exceed 2.5%, the Acquisition constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. In addition, since the relevant percentage ratios set out in Rule 19.08 of the GEM Listing Rules in respect of the Acquisition is more than 25% but less than 100%, the Acquisition also constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules.

The Company has established the Independent Board Committee to give recommendation to the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and voting in respect of the Acquisition. Veda Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with further information of the Acquisition, the recommendation of the Independent Board Committee, the advice of Veda Capital to the Independent Board Committee and the Independent Shareholders and a notice to convene the SGM to consider and, if thought fit, pass the necessary resolution to approve the Acquisition and transactions contemplated thereunder.

THE SALE AND PURCHASE AGREEMENT

Date:

10 December 2008

Parties:

(1) Vendor: Capital Base, an investment holding company owned as to 50% by Ms. Wong Yuen Yee and as to 50% by Mr. Wong Kwok Sing, both are executive Directors.

(2) Purchaser: Shiny Step, a wholly-owned subsidiary of the Company.

Assets to be acquired

238 shares of US$1 each in the issued share capital of Great China Media, representing approximately 23% of its issued share capital. There is no restriction on subsequent sale of the subject shares.

Consideration

The Consideration of HK$43,384,000 is to be satisfied by the issue of the Convertible Note by the Company to Capital Base on Completion.

Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price, the Company will issue 680,000,000 Shares, representing approximately 43.38% of the existing issued share capital; and approximately 30.26% of the enlarged issued share capital of the Company.

The Consideration was determined after arm's length negotiation with reference to the average price per share of Great China Media of HK$185,000 paid by three existing shareholders of Great China Media, who are Independent Third Parties, in their respective investments (through subscription of new shares) made in April to May of 2007. Having considered the discount to the foregoing subscription price paid by the other independent investors of Great China Media, the Target Group is in its early stage of development with huge growth potential and other factors set out in the paragraphs headed "Reasons for and benefits of the Acquisition" below, the Directors (including the non-executive Directors) consider that the Consideration is fair and reasonable and on normal commercial terms, and are in the interests of the Shareholders as a whole.

Conditions

The Acquisition is conditional upon:

(a) the passing at a general meeting of the Company of a resolution by the Independent Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules;

(b) completion of the legal and financial due diligence review of the business, affairs, operation and financial position of the Group and the due incorporation of, the valid existence of and the power and capacity to carry on business by the Group to the satisfaction of Shiny Step; and

(c) the granting by the Listing Committee of the Stock Exchange of a listing of and permission to deal in the Shares to be issued upon exercise of the conversion rights under the Convertible Note.

Shiny Step may waive condition (b) at its sole discretion. Each of the parties shall use reasonable endeavours to procure that the conditions are satisfied on or before 28 February 2009.

Completion

Completion shall take place on or before 5:00 p.m. (Hong Kong time) falling five Business Days after the day on which all the conditions set out above have been fulfilled or, where permitted, waived (or at such other date as Shiny Step and Capital Base may agree in writing).

MAJOR TERMS OF THE CONVERTIBLE NOTE

Maturity	:	the second anniversary of the Issue Date
Interest	:	The Convertible Note shall bear no interest
Conversion Price	:	initially HK$0.0638 per Share, subject to adjustments in accordance with the terms and conditions of the Convertible Note in the event of share consolidation, share subdivisions, capitalization issues, capital distributions, rights issues of shares, options, warrants or other rights to subscribe for or purchase shares or issue of any other securities arising from a conversion or exchange of other securities.
Conversion right	:	The holder shall be entitled to convert the outstanding principal amount of the Convertible Note into Shares at the Conversion Price during the conversion period.
Conversion period	:	The conversion right may be exercised by the holder at any time during the period from the Issue Date up to (and excluding) the fifth business day immediately before the Maturity Date except: (a) during the periods or times in which Directors are prohibited from dealing in Shares under the required standard of dealings of the GEM Listing Rules or any other code(s) on securities dealing restrictions adopted by the Company with similar effect, if the holder is an associate of a Director; and (b) in respect of the Convertible Note for which a notice of redemption has been served by the Company on the holder.
Redemption	:	The Company shall be entitled to redeem the Convertible Note at the face value of the outstanding principal sum at any time during the conversion period by giving not less than seven business days notice in writing to the holder except in respect of the Convertible Note for which a conversion notice or a settlement notice has been served by the holder on the Company.

Settlement on maturity	:	The holder may by giving a notice to the Company not less than six months before the Maturity Date requesting for settlement of the Convertible Note by issue of conversion shares to the holder at the Conversion Price.
Transferability	:	The Convertible Note is freely transferable other than to connected persons of the Company and except in respect of the Convertible Notes: (a) a conversion notice has been served by the holder on the Company; (b) a redemption notice has been served by the Company on the holder; or (c) a settlement notice has been served by the holder on the Company.
Ranking of conversion shares	:	Shares issued upon conversion shall rank pari passu in all respects with all other shares of the Company in issue as at the date of conversion.
Voting rights	:	The holder shall not be entitled to vote at general meeting of the Company. However, the holder is entitled to receive all reports and circular issued by the Company from time to time.
Undertaking	:	The holder shall undertake to fully comply with all applicable laws, rules and regulations, including but not limited to the GEM Listing Rules and the Takeover Codes in respect of, among other things, the exercise of its conversion rights under the Convertible Note and acceptance of the shares to be issued to it upon exercise of such conversion rights.

CONVERSION PRICE

The initial Conversion Price represents a discount of about 19.2% to the closing price per Share quoted under the daily quotation sheet of the Stock Exchange on 9 December 2008, being the trading day immediately prior to the date of entering into the Sale and Purchase Agreement; and a premium of about 1.27% over the average closing price per Share quoted under the daily quotation sheet of the Stock Exchange for the five trading days ending on 9 December 2008.

EFFECT ON SHAREHOLDING STRUCTURE

Exercise of the conversion rights of the Convertible Note in full at the initial Conversion Price will not result in the change of control of the Company assuming no other new Shares (except under the Placing) will be issued. The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon completion of the Placing (which is expected to be taken place on or about 23 January 2009) but before the exercise of any conversion rights under the Convertible Note; and (iii) upon completion of the Placing and full exercise of the conversion rights under the Convertible Note at the initial Conversion Price (in all cases assuming no further new Shares will be issued other than pursuant to the Placing) are set out below:

	Shareholding as at the Latest Practicable Date		Upon completion of the Placing but before the exercise of any conversion rights under the Convertible Note		Upon completion of the Placing and after full exercise of the conversion rights under the Convertible Note	
Substantial Shareholders and parties acting in concert with them	*Number of Shares*	*Approximate Percentage (%)*	*Number of Shares*	*Approximate Percentage (%)*	*Number of Shares*	*Approximate Percentage (%)*
Multiturn Trading Limited *(Note 1)*	97,362,000	6.21	97,362,000	6.03	97,362,000	4.24
Ms. Wong Yuen Yee *(Note 1)*	144,030,597	9.19	144,030,597	8.92	144,030,597	6.27
Mr. Wong Yao Wing Robert *(Note 1)*	140,720,596	8.98	140,720,596	8.71	140,720,596	6.13
Mr. Wong Kwok Sing *(Note 1)*	7,678,500	0.49	7,678,500	0.48	7,678,500	0.33
Mr. Lam Shiu San *(Note 1)*	6,018,500	0.38	6,018,500	0.37	6,018,500	0.26
Ms. Wong Yuen Man, Alice *(Note 1)*	12,375	0	12,375	0	12,375	0
Capital Base	0	0	0	0	680,000,000	29.62
Subtotal:	395,822,568	25.25	395,822,568	24.51	1,075,822,568	46.87
Other Director(s)						
Cheng King Hung *(Note 2)*	700,000	0.04	700,000	0.04	700,000	0.03
Public						
Placees under the Placing	0	0	48,000,000	2.97	48,000,000	2.09
Other public Shareholders	1,170,984,584	74.71	1,170,984,584	72.48	1,170,984,584	51.01
Total:	1,567,507,152	100	1,615,507,152	100	2,295,507,152	100

Notes:

(1) Multiturn Trading Limited is beneficially owned as to 31.21%, 30.9%, 30.9% and 6.99% by Ms. Wong Yuen Yee, Mr. Wong Yao Wing, Robert, Mr. Wong Kwok Sing and Mr. Lam Shiu San respectively. Ms. Wong Yuen Man, Alice is the sister of Ms. Wong Yuen Yee. These parties and Capital Base are parties acting in concert ("the Concert Party Group") under the Takeovers Code.

Ms. Wong Yuen Yee, Mr. Wong Yao Wing, Mr. Wong Kwok Sing and Mr. Lam Siu Yan are Directors.

The exercise of conversion rights under the Convertible Note will be subject to compliance with the Takeovers Code if it results in the Concert Party Group having acquired 30% or more of the voting rights of the Company.

As at the Latest Practicable Date, members of the Concert Party Group together have been granted options to subscribe for 43,991,873 Shares. Full exercise of their respective subscription rights under such options (i) immediately after the Placing; and (ii) immediately after the Placing (assuming the Placing is completed with 48,000,000 new Shares) and exercise of the conversion rights under the Convertible Note in full, will result in the Concert Party Group having acquired interest in 26.50% and 47.87% of the issued share capital of the Company respectively (in both cases, assuming no other Shares are issued).

(2) Mr. Cheng King Hung is deemed to have interest in 700,000 Shares, of which 200,000 Shares are held by him and his wife jointly and 500,000 Shares are held by his wife.

INFORMATION ON THE TARGET GROUP

Great China Media is a company incorporated in the British Virgin Islands on 16 February 2007 with an accounting year end date of 30 September. Great China Media is owned as to approximately 49.32% by Capital Base and as to approximately 50.68% by Independent Third Parties. Upon Completion, Great China Media will be owned as to approximately 26.32% by Capital Base, as to approximately 23% by Shiny Step and as to 50.68% by Independent Third Parties.

The sole operating subsidiary within the Target Group is China Outdoor Media Holdings Limited, which was incorporated in Hong Kong on 3 May 2007. It is wholly-owned by Great China Media and is principally engaged in the business of the provision of advertising related consultation services and event management services.

On 28 November 2008, TDI Transportation Displays International Limited, a wholly owned subsidiary of Great China Media, entered into equity transfer agreements pursuant to which TDI Transportation Displays International Limited agreed to acquire the entire equity interests in Tai Di Ya from Independent Third Parties. Tai Di Ya is a company incorporated in the PRC engaging in the advertising related business in the PRC. The acquisition of Tai Di Ya is subject to approval(s) by relevant authorities in the PRC which is still pending as at the Latest Practicable Date. Upon completion of all necessary registration and filing procedures in respect of the acquisition and obtaining of the necessary approval(s), Tai Di Ya would become an indirect wholly-owned subsidiary of Great China Media.

On 10 December 2008, Tai Di Ya and Great China Media entered into an agreement pursuant to which Tai Di Ya agreed to undertake the production and display of all advertising projects located at the advertising spaces on the external walls of and inside the hotels within the hotel portfolio managed by Inno Hotel Group Limited, a wholly-owned subsidiary of the Company which is principally engaged in the business of management of economy hotels in the PRC, for a term from 10 December 2008 up to 31

December 2011. Such arrangement would allow Tai Di Ya to undertake the production and display work of the advertising projects located within the hotel portfolio managed by Inno Hotel Group Limited.

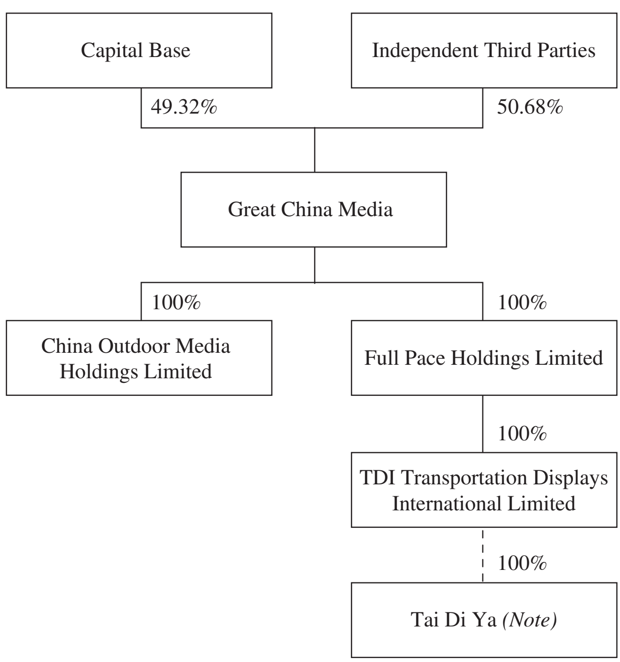
Ms. Wong Yuen Yee and Mr. Wong Kwok Sing initially held their investments in Great China Media through an investment holding company, which subsequently disposed of its interests in Great China Media to Capital Base in January 2008 at the par value of the shares of US$1.00 each. As at 30 September 2008, HK$8,358,234 was due from Great China Media to Mr. Wong Kwok Sing as loan from director.

The audited consolidated net asset value of the Target Group as at 30 September 2008 was HK$7,370,974.

The audited consolidated profit before and after taxation of the Target Group for the period commencing on 16 February 2007, being the date of incorporation of Great China Media, to 30 September 2008 were HK$1,074,340 and HK$613,174 respectively.

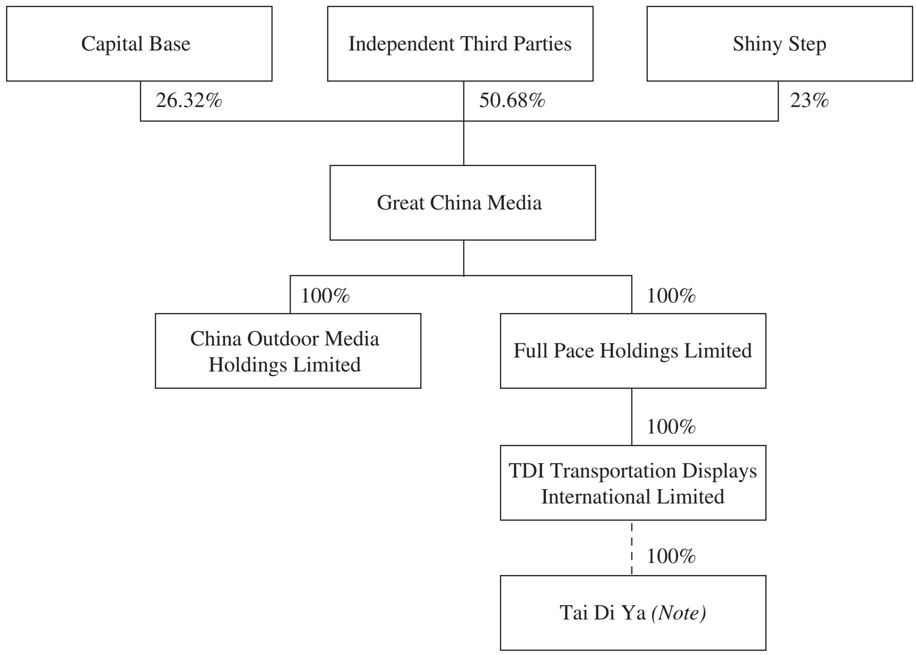
Group structure before and after Completion

(i) Before Completion:



Note: Equity transfer agreements were entered into by TDI Transportation Displays International Limited on 28 November 2008 pursuant to which TDI Transportation Displays International Limited agreed to acquire the entire equity interests in Tai Di Ya from Independent Third Parties. The acquisition is subject to approval by relevant authorities in the PRC and such approval has not been obtained as at the Latest Practicable Date.

(ii) After Completion:



Note: Equity transfer agreements were entered into by TDI Transportation Displays International Limited on 28 November 2008 pursuant to which TDI Transportation Displays International Limited agreed to acquire the entire equity interests in Tai Di Ya from Independent Third Parties. The acquisition is subject to approval by relevant authorities in the PRC and such approval has not been obtained as at the Latest Practicable Date.

REASONS FOR AND BENEFITS OF THE ACQUISITION

It has been the intention of the management of the Company to identify suitable business opportunities to enhance the value of the Group's economy hotel business so as to strengthen the operating results of the Group and to maximize Shareholders' returns. The Directors are of the view that the external walls and certain interior area of the hotels within the hotel portfolio managed by the Group present excellent advertising spaces to generate additional income for the Group.

On 10 December 2008, Inno Hotel Group Limited, a wholly-owned subsidiary of the Company which is principally engaged in the business of management of economy hotels in the PRC, entered into a cooperation agreement with Great China Media pursuant to which Inno Hotel Group Limited agreed to lease to Great China Media the advertising spaces located on the external walls of and inside the hotels within the hotel portfolio managed by Inno Hotel Group Limited on an exclusive basis for a term from 10 December 2008 up to 31 December 2011. It is estimated that the annual income received by the Group pursuant to this arrangement would be approximately HK$855,000. Since each of the applicable percentage ratios set out in Chapter 19.08 of the GEM Listing Rules in respect of this arrangement is on an annual basis less than 0.1% or more than 0.1% but less than 2.5% and the annual consideration is less than HK$1,000,000, such arrangement would constitute continuing connected transactions of the Company which will be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. On the same day, Tai Di Ya and Great China Media entered into an agreement pursuant to which Tai Di Ya agreed to undertake the production and display work of the advertising projects located at the advertisement spaces on the external walls of and inside the hotels within the hotel portfolio managed by Inno Hotel Group Limited for a term from 10 December 2008 up to 31 December 2011.

The above arrangements would on the one hand allow Great China Media to have an exclusive right to provide clients with advertisement spaces located on the external walls of and inside the hotels within the hotel portfolio managed by Inno Hotel Group Limited when providing consultation services and on the other hand allow Tai Di Ya to undertake the production and display work of the advertising projects located within the hotel portfolio managed by Inno Hotel Group Limited. The Acquisition would enable the Group to have a capital stake in the Target Group so as to enjoy the returns and benefits brought about by such arrangements.

In view of the above potential benefits and synergies, the Directors (including the non-executive Directors) consider that the terms and conditions of the Acquisition are fair and reasonable and on normal commercial terms, and are in the interests of the Shareholders as a whole.

Having said the above, the Target Group is still in its early stage of development with short track record, it may not be able have significant contribution to the Group's earnings in the near future.

FINANCIAL EFFECT OF THE ACQUISITION ON THE GROUP

After the Acquisition, Great China Media will be accounted for an associated company of the Group by using equity method of accounting. The Acquisition is not expected to have material effect on earnings of the Group.

With reference to the audited net asset value of the Group of approximately HK$335.72 million as at 30 June 2008 and based on the unaudited pro forma consolidated asset and liabilities of the Enlarged Group as set out in Appendix III to this circular, the Acquisition will increase the Group's unaudited consolidated non-current asset value by approximately HK$44.48 million to approximately HK$251.71 million and increase the unaudited consolidated non-current liabilities by approximately HK$30.72 million, being the liability element of the Convertible Note, to approximately HK$38.51 million. Taking into account the relevant costs and expenses incurred by the Group, the Acquisition will increase the unaudited consolidated net asset value of the Enlarged Group to approximately HK$348.38 million.

APPLICATION FOR LISTING

Application has been made by the Company to the Listing committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon the exercise of the conversion rights under the Convertible Note.

GENERAL

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. The Group also operates and manages medical institutes and economy hotels in the PRC.

Both Shiny Step and Capital Base are investment holding companies.

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Capital Base is owned as to 50% by Ms. Wong Yuen Yee and as to 50% by Mr. Wong Kwok Sing, both are executive Directors. Accordingly, Capital Base is a connected person of the Company . Since the applicable percentage ratios set out in Rule 19.08 of the GEM Listing Rules in respect of the Acquisition exceed 2.5%, the Acquisition constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. In addition, since the relevant percentage ratio set out in Rule 19.08 of the GEM Listing Rules in respect of the Acquisition is more than 25% but less than 100%, the Acquisition also constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements in accordance with the GEM Listing Rules.

SGM

A notice convening the SGM at which an resolution, with voting to be taken by poll, will be proposed to consider, and if thought fit, to approve the Acquisition and the transactions contemplated under the Sale and Purchase Agreement including the issue of the Convertible Note to be held at Room 903, 9th Floor, Tung Wai Commercial Building, 109–111 Gloucester Road, Wanchai, Hong Kong on Monday, 16 February 2009 at 11:30 a.m., is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806–07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the accompanying from of proxy will not preclude you from attending and voting at the meeting should you so wish.

Ms. Wong Yuen Yee and Mr. Wong Kwok Sing have material interest in the Acquisition, they together with Multiturn Trading Limited (being their respective associate) holding an aggregate of 249,071,097 Shares, representing approximately of 15.89% of the issued share capital of the Company will be required to abstain from voting in respect of the resolution approving the Sale and Purchase Agreement at the SGM under the GEM Listing Rules.

RECOMMENDATIONS

The Board believes that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution in relation to the Acquisition to be proposed in the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

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

INNO-TECH HOLDINGS LIMITED
匯 創 控 股 有 限 公 司*

(incorporated in Bermuda with limited liability)
(Stock Code: 8202)

23 January 2009

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF APPROXIMATELY 23% INTEREST IN
GREAT CHINA MEDIA HOLDINGS LIMITED

We refer to the document dated 23 January 2009 issued by the Company (the "Circular"), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee to consider the Sale and the Purchase Agreement and voting in respect of the Acquisition. Veda Capital has been appointed as the financial adviser to advise us in this respect.

Your attention is drawn to the letter from the Board and the letter from Veda Capital containing its advice to us as set out in the Circular respectively.

Taking into account the advice from Veda Capital, we consider that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and its shareholders as a whole, and so recommend the Independent Shareholders to vote for the resolution to be proposed at the SGM.

Yours faithfully,
Wong Tak Leung Charles **Lai Ying Sum** **Cheng King Hung**
Independent Board Committee

* *for identification purposes only*

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition which has been prepared for the purpose of inclusion in the circular.

VEDA | CAPITAL
智略資本

Veda Capital Limited
Suite 1302, 13/F, Takshing House
20 Des Voeux Road Central
Hong Kong

23 January 2009

To the Independent Board Committee and
the Independent Shareholders of
Inno-Tech Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF APPROXIMATELY 23% INTEREST IN
GREAT CHINA MEDIA HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, details of which are set out in the letter from the Board (the "Board Letter") contained in this circular (the "Circular") dated 23 January 2009 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 10 December 2008, Shiny Step, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Capital Base pursuant to which Capital Base has agreed to sell and Shiny Step has agreed to acquire approximately 23% of the issued share capital of Great China Media at a consideration of HK$43,384,000 to be satisfied by the issue of the Convertible Note by the Company to Capital Base on Completion.

As at the date of the Sale and Purchase Agreement, Capital Base is owned as to 50% by Ms. Wong Yuen Yee and as to 50% by Mr. Wong Kwok Sing, both are executive Directors. Accordingly, Capital Base is a connected person of the Company as defined under the GEM Listing Rules. The Acquisition constitutes a major and connected transaction of the Company under the GEM Listing Rules and is subject to the approval of the Independent Shareholders by way of a poll at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Tak Leung, Charles, Mr. Lai Ying Sum and Mr. Cheng King Hung, all of whom have neither involved in nor interested in the Acquisition and thus being independent, has been established to advise the Independent Shareholders in respect of the Acquisition. Veda Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms and conditions of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Independent Shareholders as a whole; (iii) whether the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Company; and (iv) whether the Independent Shareholders should vote in favour of the resolution to approve the Acquisition.

BASIS OF OUR ADVICE

In arriving at our recommendations, we have relied on the information including but not limited to the published information of the Group and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions contained or referred to in the Circular and all information, representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and management of the Company for which they are solely responsible, are true and accurate at the time when they were made and will continue to be accurate as at the date of SGM.

The Directors have collectively and individually accepted 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 the 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 the Circular misleading; and (c) all opinions expressed in the Circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or the Target Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Acquisition and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we taken into account the principal factors and reasons set out below:

Financial highlights of the Group

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 the i-Panel and its integrated hardware and software in the PRC. The Group also operates and manages medical institutes and economy hotels in the PRC.

For the year ended 31 March 2007, the Group recorded turnover of approximately HK$43.24 million, representing a decrease of approximately 52.46% from turnover of approximately HK$90.96 million for the year ended 31 March 2006. The decrease was mainly due to the substantial decrease in sales of hardware products during the year. The net loss of the Group for the year ended 31 March 2007 was approximately HK$3.12 million whereas the Group recorded a net loss of approximately HK$5.71 million for the year ended 31 March 2006.

The Group reported a turnover of approximately HK$143.97 million for the 15-month period ended 30 June 2008, representing an increase of approximately 233% compared with the turnover of HK$43.24 million for the year ended 31 March 2007. Gross profit of the Group increased by approximately 89% to approximately HK$32.01 million for the 15-month period ended 30 June 2008 from approximately HK$16.95 million for the year ended 31 March 2007. The loss of the Group for the 15-month ended 30 June 2008 widened to approximately HK$71.35 million mainly because of the increase of administrative expenses of approximately HK$85.4 million during the period, of which approximately HK$34 million was share based payments for share options granted during the period, approximately HK$14 million was increase in salaries expense for increase in head count for hotel business employees, approximately HK$10 million was allowance of doubtful debt and approximately HK$10 million was depreciation and amortization expenses.

I. Assets to be acquired under the Acquisition

238 shares in the issued share capital of Great China Media (the "Sale Share"), representing approximately 23% of the issued share capital of Great China Media. There is no restriction on subsequent sale of the subject shares.

(a) Information on the Target Group

Great China Media is a company incorporated in the British Virgin Islands on 16 February 2007. Great China Media is owned as to 49.32% by Capital Base and as to approximately 50.68% by Independent Third Parties. Upon Completion, Great China Media will be owned as to approximately 26.32% by Capital Base, as to approximately 23% by Shiny Step and as to 50.68% by Independent Third Parties. The sole operating subsidiary within the Target Group is China Outdoor Media Holdings Limited ("COM"), which was incorporated in Hong Kong on 3 May 2007. It is wholly-owned by Great China Media and is principally engaged in the business of the provision of advertising related consultation services and event management services.

In July 2007, Great China Media obtained the exclusive distribution rights for stratosphere enabling display of visual element and broadcast of sound element of audio visual recording in the PRC (including Hong Kong and Macau Special Administrative Region). One of the founders and existing shareholders of the counterparty who is an Independent Third Party is also a director and substantial shareholder of Great China Media. The relevant agreement may be terminated by either party giving two month's written notice to the other. As at the Latest Practicable Date, such agreement is still of effect and the parties thereto have no intention to terminate. Stratosphere is an innovative high quality inflatable display, with the ability to show high definition full dome video and laser imagery on the exterior and interior surfaces of the sphere, offering a unique 360 degrees immersive environment. The counterparty company which owns the stratosphere product range has over 10 years of expertise in the stratosphere multimedia productions which integrate lasers lights, sound and multimedia effects. A range of advance technology including projectors, video processing and images mapping into the inflated structure of the stratosphere which can also be accompanied by a wide range of optional items including audio, lasers and fireworks. The stratosphere is suitable for use as a fixed venue and special event display. The stratosphere can be custom-manufactured in various shape and sizes.

In December 2008, COM, the sole operating subsidiary within the Target Group, entered into an exclusive co-operation agreement with a prominent PRC newspaper with immersive networks in the PRC for a term of 5 years from 1 January 2009 to 31 December 2013 in order to co-develop the stratosphere multimedia market in the PRC whereby COM is responsible for the technology know how, production of the stratospheres and advertising expertise while the counterparty is responsible for obtaining the support and cooperation from the local governments to ensure the use of the stratospheres as multi-media advertising in the designated cities. Pursuant to the co-operation agreement, initially, nine major cities in the PRC, including but not limited to Guangzhou, Shanghai and Shenzhen, are selected to promulgate the multi-media advertising business using the stratospheres. It is expected that three stratospheres will be introduced in each of the planned cities. In 2009, at least two stratospheres will be placed in each of Guangzhou, Shanghai and Shenzhen. COM and the counterparty will share the advertising revenue after rental expenses in the ratio of 70% to 30%. The Directors expect that such co-operation agreement will facilitate the multimedia stratosphere business of the Target Group.

The stratospheres have been previously used in the Strato-Fantasia Show in Hong Kong, which was co-developed with the Hong Kong Tourism Board to show that Hong Kong has re-opened to the world after the SARs crises in 2003, with the theme "Live it Love it. Hong Kong". The show ran for six weeks and was based in Victoria Harbour on 11 barges. Custom made video for the show was simultaneously projected onto both the stratosphere and waterscreens. Other worldwide events held with the use of the stratospheres include the Earth & Space Exhibition in Brussels, the Universal Studios 360 of the United States, the launch of the mobile communication brand O2 in the United Kingdom, the Jeddah Fountain Show for King Fahad of Saudi Arabia, the 8th All African Games-Nigera, NCB 2004 Olympic Coverage, 2008 Beijing Summer Olympics-Haier Live Site, 2008 Guangdong International Tourism Festival.

On 28 November 2008, TDI Transportation Displays International Limited (which has been engaged in the transport related concessionary advertising business since 1981 with particular focus on the mass public transportation system) entered into equity transfer agreements pursuant to which TDI Transportation Displays International Limited agreed to acquire the entire equity interests in Tai Di Ya from Independent Third Parties. Tai Di Ya is a company incorporated in the PRC engaging in the advertising related business in the PRC. The acquisition of Tai Di Ya is subject to approval(s) by relevant authorities in the PRC which is still pending as at the Latest Practicable Date. Upon completion of all necessary registration and filing procedures in respect of the acquisition and obtaining of the necessary approval(s), Tai Di Ya would become an indirect wholly-owned subsidiary of Great China Media.

On 10 December 2008, Tai Di Ya and Great China Media entered into an agreement pursuant to which Tai Di Ya agreed to undertake the production and display works of all advertising projects located at the advertising spaces on the external walls of and inside the hotels within the hotel portfolio managed by Inno Hotel Group Limited, a wholly-owned subsidiary of the Company which is principally engaged in the business of management of economy hotels in the PRC, for a term from 10 December 2008 up to 31 December 2011. Such arrangement would allow Tai Di Ya to undertake the production and display advertising projects located within the hotel portfolio managed by Inno Hotel Group Limited.

(b) Business plan of the Target Group

The business focus of the Target Group are in two main areas, including (i) outdoor and transportation advertising and (ii) event management. For the outdoor and transportation advertising of the Target Group, a network of billboards and stratosphere displays will be developed, strategic alliance with selected corporates/state owned enterprises will be formed. Advertisements will be displayed in railway stations and trains. For the event management business of the Target Group, large scale sporting, cultural, musical events exhibitions and tradeshows will be hosted to attract customers by leveraging on the innovative and premium products of the stratosphere.

The Directors consider that the stratosphere is a new and innovative media, which serves as an alternative to traditional billboard displays providing the Target Group with a significant competitive advantage as advertising customers are constantly looking for new form of media for creative display ideas to draw audience's attention.

(c) Business outlook

Outdoor advertising currently accounts for roughly 0.93% of China's gross domestic products. The benchmark for more developed countries is 2%. The growth potential for outdoor advertising is therefore tremendous. Average Chinese are very positive to outdoor advertising. According to a survey conducted by Beijing Public Traffic Advertising Company, the average rider looks forward to reading outdoor signs while waiting and it is considered an entertaining and educational way to pass the time. In 2007, China is the third largest advertising market globally behind the US and Japan according to Nielsen Media Research. China is expected to become the largest advertising market within the decade. Outdoor advertising is the third largest medium after television and print accounting for approximately 15% to 20% of the total advertising market. The compound annual growth rate of outdoor advertising is around 20% over the past few years. In 2008, the growth rate is expected to exceed 30%. It has been a growing importance of outdoor advertising as the "in-home" advertising market is increasingly fragmented as a result of the increasing numbers of cable TV, satellite TV, broadcast TV and internet sites competing for the viewers' attention. The viewers wake up time "in-home" to a particular media has significantly reduced. The market trend also demonstrates that audiences with high purchasing power are spending more and more time outside their homes. The audience for outdoor advertising has grown significantly in recent years as people become more urbanized and preferring more "out-of home" activities. As people become more mobile and are spending more time outside of their homes, outdoor advertising displays shall and would rapidly develop in city centres, along highly travelled roads, in airports, in railway stations, along bus bodies, and bus shelters. the Target Group is in its early stage of development with huge growth potential.

II. Reasons for the Acquisition

It has been the intention of the management of the Company to identify suitable business opportunities to enhance the value of the Group's economy hotel business so as to strengthen the operating results of the Group and to maximize Shareholders' returns. The Directors are of the view that the external walls and certain interior area of the hotels within the hotel portfolio managed by the Group present excellent advertising spaces to generate additional income for the Group.

On 10 December 2008, Inno Hotel Group Limited, a wholly-owned subsidiary of the Company which is principally engaged in the business of management of economy hotels in the PRC, entered into a cooperation agreement with Great China Media pursuant to which Inno Hotel Group Limited agreed to lease to Great China Media the advertising spaces located on the external walls of and inside the hotels within the hotel portfolio managed by Inno Hotel Group Limited on an exclusive basis for a term from 10 December 2008 up to 31 December 2011. It is estimated that the annual income received by the Group pursuant to this arrangement would be approximately HK$855,000.

On the same day, Tai Di Ya and Great China Media entered into an agreement pursuant to which Tai Di Ya agreed to undertake the production and display works of advertising projects located at the advertisement spaces on the external walls of and inside the hotels within the hotel portfolio managed by Inno Hotel Group Limited for a term from 10 December 2008 up to 31 December 2011. Such arrangements would on the one hand allow Great China Media to have an exclusive right to provide clients with advertisement spaces located on the external walls of and inside the hotels within the hotel portfolio managed by Inno Hotel Group Limited when providing consultation services and on the other hand allow Tai Di Ya to have an exclusive right to undertake the production and display works of the advertising projects located within the hotel portfolio managed by Inno Hotel Group Limited. The Acquisition would enable the Group to have a capital stake in the Target Group so as to enjoy the returns and benefits brought about by such arrangements.

III. Conditions of the Acquisition

The Acquisition is conditional upon:

(a) the passing at a general meeting of the Company of a resolution by the Independent Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules;

(b) completion of the legal and financial due diligence review of the business, affairs, operation and financial position of the Target Group and the due incorporation of, the valid existence of and the power and capacity to carry on business by the Target Group to the satisfaction of Shiny Step; and

(c) the granting by the Listing Committee of the Stock Exchange of a listing of and permission to deal in the Shares to be issued upon exercise of the conversion rights under the Convertible Note.

Shiny Step may waive condition (b) at its sole discretion. Each of the parties shall use reasonable endeavours to procure that the conditions are satisfied on or before 28 February 2009. Given the conditions are for (i) compliance of the relevant provisions of the GEM Listing Rules; and (ii) completion of a due diligence investigation on the Target Group by Shiny Step, we concur with the Directors that the conditions of the Acquisition are in normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

IV. Consideration for the Acquisition

Pursuant to the Sale and Purchase Agreement, the Consideration is HK$43,384,000 to be satisfied by the issue of the Convertible Note by the Company to Capital Base on Completion. On such basis, each of the Sale Share worth approximately HK$182,286, representing a discount of approximately 1.47% to the average price per share of Great China Media of HK$185,000 paid by three existing shareholders of Great China Media, who are Independent Third Parties, in their respective investments (through subscription of new shares) made in April to May of 2007.

We consider that the issue of the Convertible Note to Capital Base is in the interests of the Company as it will not draw on the existing cash resources of the Group for the Acquisition and has no immediate dilution effect on the existing Shareholders. Please also refer to the section headed "Principal terms of the Convertible Note" below for our evaluation of fairness and reasonableness of the terms of the Convertible Note.

Although the Target Group recorded audited consolidated profit after taxation for the period commencing on 16 February 2007 to 30 September 2008 of HK$613,174 and audited consolidated net asset value of HK$7,370,974 as at 30 September 2008, commonly used benchmark ratios such as price-earnings multiple and price-to-book ratio are not meaningful for comparison with other industry comparables since the Target Group is in its early stage of development and it is expected that the Target Group is with high growth potential.

Given (i) the discount represented by the Consideration per Share to the average subscription price per Share in Great China Media paid by three existing shareholders of Great China Media, who are Independent Third Parties; (ii) the high growth potential in outdoor advertising in the PRC; (iii) the business focus of the Target Group in outdoor and transportation advertising and event management; (iv) the stratosphere is a new and innovative media, which serves as an alternative to traditional billboard displays providing the Target Group with a significant competitive advantage as advertising customers are constantly looking for new form of media for creative display ideas to draw audiences attention; (v) the successful use of the stratosphere in event management overseas, (vi) the fact that one of the founders and existing shareholders of the grantor of the distribution right of the stratosphere product range is also a director and substantial shareholder of Great China Media, we consider the Consideration is fair and reasonable to the Independent Shareholders and the Company as a whole.

V. Principal terms of the Convertible Note

(i) Conversion price of the Convertible Note

The premium/(discount) of the Conversion Price of HK$0.0638 over/(to) the closing price of the Shares for different periods are set out in the following table:

Date/period	**Closing price/ average closing price per Share for the period** *(HK$)*	**Premium/(Discount) of the Conversion Price over/(to) the closing price/ average closing price per Share in the respective period** *(%)*
As at 9 December 2008, being the last full trading day immediately prior to the date of the Sale and Purchase Agreement (the "Last Trading Day")	0.079	(19.2)
Last 5 trading days up to and including the Last Trading Day	0.063	1.27
As at the Latest Practicable Date	0.059	8.14

(ii) Other principal terms of the Convertible Note

In order to assess the fairness and reasonableness of the terms of the Convertible Note, we have looked into the latest issues of convertible bonds/notes (the "CB Comparables") denominated in Hong Kong dollars by listed companies in Hong Kong for the purpose of satisfying partly or wholly of the consideration of target acquisitions of the corresponding listed companies from six months prior to the Last Trading Day, i.e. 9 June 2008 up to and including the Last Trading Day for reference. We believe that the CB Comparables could reflect the recent trend of the terms of consideration convertible bonds/notes in the market and represent fair and representative samples. Set out below is a summary of the CB Comparables:

Date of announcement	Company	Principal amount of convertible bond/note *(HK$ million)*	Maturity *(Years)*	Interest rate per annum *(%)*	Premium/(discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement *(%)*	Earliest day to convert the convertible bond/note	Transferability
12-Jun-08	Beijing Enterprises Water Group Limited (371)	(a) 589.3 (b) 238.7	5	0	(81.1)	(a) the business day after the issue date (b) 2nd anniversary of the issue date	Upon prior written consent of the company and other conditions
4-Jul-08	Benefun International Holdings Limited (1130)	400	3	0	(24.71)	Issue date	Freely transferable
9-Jul-08	Bestway International Holdings Limited (718)	6,885	5	0	(3.6)	Issue date	Upon prior written consent of the company
14-Jul-08	B M Intelligence International Limited (8158)	120	2	0	(90.32)	Issue date	Freely transferable
15-Jul-08	Tiger Tech Holdings Limited (8046)	529.45	5	0	(67.3)	Issue date	Freely transferable

Date of announcement	Company	Principal amount of convertible bond/note (HK$ million)	Maturity (Years)	Interest rate per annum (%)	Premium/(discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement (%)	Earliest day to convert the convertible bond/note	Transferability
15-Jul-08	Prosticks International Holdings Limited (8055)	11.3	4	1	(1.67)	1st anniversary of issue date	Upon prior written consent of the company
22-Jul-08	New Smart Energy Group Limited (91)	240	5	0	90.84	Issue date	Freely transferable
25-Jul-08	Polyard Petroleum International Group Limited (8011)	285	5	0	(2.9)	Issue date	Freely transferable
7-Aug-08	A & K Educational Software Holdings Limited (8053)	(a) 223.56 (b) 63.94	(a) 5 (b) 3	0	23	Issue date	(a) Freely transferable (b) Not transferable
13-Aug-08	Champion Technology Holdings Limited (92)	188.55	2	1	17.2	Issue date	Upon prior consent of the company
14-Aug-08	Dore Holdings Limited (628)	1,481.55	10	7	109.1	Issue date	Upon prior consent of the company
2-Sep-08	China Chief Cable TV Group Limited (8153)	50	3	2	0.22	Issue date	Upon prior notification to the company
5-Sep-08	China Fortune Holdings Limited (110)	100	2	0	133.33	Issue date	Freely transferable

Date of announcement	Company	Principal amount of convertible bond/note (HK$ million)	Maturity (Years)	Interest rate per annum (%)	Premium/(discount) of the initial conversion price over/to the closing price of shares on the last trading day prior to the date of the corresponding announcement (%)	Earliest day to convert the convertible bond/note	Transferability
17-Sep-08	Neolink Cyber Technology (Holding) Limited (8116)	465	5	0	33.33	Issue date	Upon prior notification to the company
15-Oct-08	Argos Enterprise (Holdings) Limited (8022)	409.2	3	1	32	Issue date	Freely transferable
3-Nov-08	Lo's Enviro-Pro Holdings Limited (309)	65	3	0	82.35	1 July 2010	Not transferable
7-Nov-08	Melco LottVentures Limited (8198)	75	5	0.1	37.94	Issue date	Freely transferable
3-Dec-08	China Best Group Holding Limited (370)	85	5	0	31.58	Issue date	Freely transferable
8-Dec-08	Golife Concepts Holdings Limited (8172)	474.68	10	3	(18.03)	Issue date	Upon prior written consent of the company
10-Dec-08	Freeman Corporation Limited (279)	105.8	3	0	10	Issue date	Upon prior written consent of the company
		Highest	**10**	**7**	**133.33**		
		Lowest	**2**	**0**	**(90.32)**		
		Average	**4.68**	**0.69**	**(38.8)** (average of the discounts)		
	Company	**43.38**	**2**	**0**	**(19.2)**	**Issue date**	**Freely transferable**

Source: The Stock Exchange of Hong Kong Limited

(a) Conversion price

As indicated in the above table setting out the CB Comparables, the discount of approximately 19.2% represented by the Conversion Price to the closing price of HK$0.079 per Share on the Last Trading Day falls within the range of premiums/discounts represented by the CB Comparables on the relevant last trading days, which range between a discount of 90.32% and a premium of 133.33% and such discount is less than the average of the discounts of approximately 38.8% represented by the CB Comparables with conversion prices set at discounts to the closing prices on the relevant last trading days. In this respect, we concur with the view of the Directors that the Conversion Price is fair and reasonable so far as the interests of the Company and the Independent Shareholders are considered.

(b) Interest rate and interest expense

The CB Comparables carry annual interest rates ranging from 0% to 7% (the "Interest Range"). Thus, the zero interest rate of the Convertible Note lies within the Interest Range and is at the lowest end. Based on the zero interest rate of the Convertible Note, the annual interest expense of the Group for the Convertible Note is nil. Based on the above analysis, we consider that the interest rate of the Convertible Note is fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned.

(c) Conversion

The holder(s) of the Convertible Note can convert the outstanding principal amount of each Convertible Note in whole or in part into Shares at any time during the period from the Issue Date up to (and excluding) the fifth business day immediately before the Maturity Date except:

(a) during the periods or times in which Directors are prohibited from dealing in Shares under the required standard of dealings of the GEM Listing Rules or any other code(s) on securities dealing restrictions adopted by the Company with similar effect, if the holder is an associate of a Director; and

(b) in respect of the Convertible Note for which a notice of redemption has been served by the Company on the holder.

17 out of 20 CB Comparables could be converted on the date of issue of the respective convertible notes/bonds. We consider that the term of the Convertible Note in relation to conversion is normal for convertible securities of similar kind.

(d) Redemption

At any time from the date of issue of the Convertible Note up to the fifth business day immediately before the Maturity Date by giving not less than seven business days notice in writing, the Company may redeem all or part, from time to time, of the Convertible Note. Any amount of the Convertible Note which remains outstanding on the Maturity Date shall be redeemed at its then outstanding principal amount.

Having considered the flexibility associated with the early redemption feature, we are of the view that the term of redemption of the Convertible Note is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

(e) Maturity

The Convertible Note has a maturity period of two years from the date of issue, which lies within the range of maturity period of the CB Comparables from 2 to 10 years.

(f) Transferability

The Convertible Note is freely transferable other than to connected persons of the Company and except in respect of the Convertible Note: (a) a conversion notice has been served by the holder on the Company; (b) a redemption notice has been served by the Company on the holder; or (c) a settlement notice has been served by the holder on the Company.

As noted from the comparison table above, 10 out of 20 CB Comparables are freely transferable and we consider such nature of the Convertible Note is not uncommon.

Having considered the above, we are of the view that the principal terms of the Convertible Note are fair and reasonable and the issue of the Convertible Note as a whole is on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole.

VI. Possible financial effects of the Acquisition

Upon completion of the Acquisition, the Company shall account for Great China Media as an associated company.

(a) Net asset value

As set out in the unaudited pro forma statement of assets and liabilities of the Enlarged Group which assumed Completion had taken place on 30 June 2008, the unaudited consolidated net assets of the Enlarged Group would have been approximately HK$348.38 million, representing an increase of approximately 3.77% from the Group's audited consolidated net assets of approximately HK$335.72 million as at 30 June 2008 before the Acquisition.

(b) Earnings

Upon Completion, Great China Media will be accounted for as an associated company of the Group. Since the Target Group was profitable for the period commencing on 16 February 2007 to 30 September 2008, it is expected that the Acquisition would have a positive impact on the earnings position of the Group upon Completion.

VII. Potential dilution effect on the shareholding interests of the Independent Shareholders by the Acquisition

	Shareholding as at the Latest Practicable Date		**Upon Completion and after full exercise of the conversion rights under the Convertible Note**	
Substantial Shareholders and parties acting in concert with them	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Multiturn Trading Limited *(Note 1)*	97,362,000	6.21	97,362,000	4.33
Ms. Wong Yuen Yee *(Note 1)*	144,030,597	9.19	144,030,597	6.41
Mr. Wong Yao Wing *(Note 1)*	140,720,596	8.98	140,720,596	6.26
Mr. Wong Kwok Sing *(Note 1)*	7,678,500	0.49	7,678,500	0.34
Ms. Wong Yuen Man, Alice *(Note 1)*	6,018,500	0.38	6,018,500	0.27
Mr. Lam Shiu San *(Note 1)*	12,375	0.00	12,375	0.00
Capital Base	0	0.00	680,000,000	30.26
Subtotal	395,822,568	25.25	1,075,822,568	47.87
Other Director				
Mr. Cheng King Hung *(Note 2)*	700,000	0.05	700,000	0.03
Public Shareholders	1,170,984,584	74.70	1,170,984,584	52.10
Total	1,567,507,152	100.00	2,247,507,152	100.00

Notes:

(1) Multiturn Trading Limited is beneficially owned as to 31.21%, 30.9%, 30.9% and 6.99% by Ms. Wong Yuen Yee, Mr. Wong Yao Wing, Mr. Wong Kwok Sing and Mr. Lam Shiu San respectively. Ms. Wong Yuen Man, Alice is the sister of Ms. Wong Yuen Yee. These parties and Capital Base are parties acting in concert ("the Concert Party Group") under the Takeovers Code. Ms. Wong Yuen Yee, Mr. Wong Yao Wing, Mr. Wong Kwok Sing and Mr. Lam Siu San are Directors. The exercise of conversion rights under the Convertible Note will be subject to compliance with the Takeovers Code if it results in the Concert Party Group having acquired 30% or more of the voting rights of the Company. As at the Latest Practicable Date, members of the Concert Party Group together have been granted options to subscribe for 43,991,873 Shares.

(2) Mr. Cheng King Hung is deemed to have interest in 700,000 Shares, of which 200,000 Shares are held by him and his wife jointly and 500,000 Shares are held by his wife.

As set out in the above table, 1,170,984,584 Shares were held by the public Shareholders, representing approximately 74.70% of the issued share capital of the Company as at the Latest Practicable Date. Immediately after Completion and after full exercise of the conversion rights under the Convertible Note, the public Shareholders will still hold 1,170,984,584 Shares, representing approximately 52.10% of the enlarged issued share capital of the Company with the addition of 680,000,000 new Shares to be issued to Capital Base upon conversion in full of the Convertible Note.

Having considered that:

(a) the Target Group was profit making for the period commencing on 17 February 2007 and ended on 30 September 2008;

(b) the Acquisition is in line with the intention of the management of the Company to identify suitable business opportunities to enhance the value of the Group's economy hotel business so as to strengthen the operating results of the Group and to maximize Shareholders' returns;

(c) the discount of approximately 1.47% represented by the Consideration per Share to the average investment amount per Share in Great China Media by three existing shareholders of Great China Media, who are Independent Third Parties;

(d) the high growth potential in outdoor advertising in the PRC and the business focus of the Target Group in outdoor and transportation advertising and event management;

(e) the stratosphere is a new and innovative media, which serves as an alternative to traditional billboard displays providing the Target Group with a significant competitive advantage as advertising customers are constantly looking for new form of media for creative display ideas to draw audiences attention;

(f) the successful use of the stratosphere in event management overseas;

(g) the issue of the Convertible Note to Capital Base is in the interests of the Company as it will not draw on the existing cash resources of the Group for the Acquisition and has no immediate dilution effect on the existing Shareholders;

(h) the discount of approximately 19.2% represented by the Conversion Price to the closing price of HK$0.079 per Share on the Last Trading Day falls within the range of premiums/discounts represented by the CB Comparables on the relevant last trading days, which range between a discount of 90.32% and a premium of 133.33% and such discount is less than the average of the discounts of approximately 38.8% represented by the CB Comparables with conversion prices set at discounts to the closing prices on the relevant last trading days;

(i) the 0% interest rate of the Convertible Note lies within the Interest Range and is at the lowest end;

(j) the terms of the Convertible Note in relation to maturity and transferability are normal for debt securities of similar kind;

(k) the benefits of improving the net assets and possible improvement in earnings of the Enlarged Group upon Completion;

(l) the conditions of the Acquisition are in normal commercial terms and fair and reasonable to the Company and the Independent Shareholders,

we are of the view that the benefits of the Acquisition outweigh the potential dilution effect on the shareholding held by the public Shareholders in the Company as created by the conversion in full of the Convertible Note, we consider that such dilution effect to public Shareholders is fair and reasonable so far as the Independent Shareholders are concerned.

VIII. Recommendations

Taking into consideration of the above mentioned principal factors and reasons, we consider that the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of the Sale and Purchase Agreement were entered into upon normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolution to be proposed at the SGM to approve the Acquisition.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong	**Julisa Fong**
Managing Director	*Executive Director*

I. SUMMARY OF FINANCIAL INFORMATION FOR EACH OF THE TWO YEARS ENDED 31 MARCH 2007 AND THE PERIOD FROM 1 APRIL 2007 TO 30 JUNE 2008

The Company changed its financial year end from 31 March to 30 June in March 2008. The following is a summary of (i) the audited consolidated income statement of the Group for each of the two years ended 31 March 2007 and the audited consolidated balance sheet of the Group as at 31 March 2006 and 31 March 2007; and (ii) the audited consolidated income statement of the Group for the period from 1 April 2007 to 30 June 2008 and the audited consolidated balance sheet of the Group as at 30 June 2008. The information is extracted from the annual reports of the Company .

	Period from 1 April 2007 to 30 June	Year ended 31 March	
	2008	**2007**	**2006**
	Audited	**Audited**	**Audited**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	143,971	43,236	90,955
Cost of sales	(111,964)	(26,287)	(69,669)
Gross profit	32,007	16,949	21,286
Other revenue	3,742	1,012	1,108
Other net income	2,671	–	–
Marketing and promotion expenses	(19,199)	(2,295)	(1,406)
Administrative expenses	(85,400)	(12,271)	(19,615)
Finance costs	(1,874)	(4,810)	(5,759)
Share of losses of associates	(690)	(830)	(586)
(Loss) before income tax	(68,743)	(2,245)	(4,972)
Income tax	(2,609)	(871)	(736)
(Loss) attributable to equity holders	(71,352)	(3,116)	(5,708)
(Loss) per share			
– Basic (HK cents)	(6.28)	(0.84)	(1.94)
– Diluted (HK cents)	(6.27)	N/A	N/A

	As at 30 June 2008 Audited *HK$'000*	As at 31 March 2007 Audited *HK$'000*	2006 Audited *HK$'000*
Non-current assets			
Property, plant and equipment	24,285	9,528	9,374
Prepaid lease payments	34,319	5,761	5,768
Intangible assets	79,355	27,620	25,760
Goodwill	60,643	–	–
Interests in associates	2,353	4,407	5,237
Interest in a jointly controlled entity	–	–	–
Loans to an associate	6,273	–	–
	207,228	47,316	46,139
Current assets			
Trading securities – pledged	1,024	–	–
Derivative financial instruments – pledged	170	–	–
Inventories	1,175	1,187	8,918
Accounts receivables	65,487	40,163	39,894
Prepayments, deposits and other receivables	82,989	5,361	4,475
Amounts due from customers	19,675	15,820	8,520
Loans to an associate	6,440	–	–
Tax recoverable	317	–	–
Pledged deposits	13,000	13,000	25,000
Cash and cash equivalents	37,305	2,121	845
	227,582	77,652	87,652
Current liabilities			
Bank loans and overdrafts	14,837	16,146	30,862
Trade payables, accrued expenses and other payables	20,904	14,274	17,464
Other loans	–	5,150	–
Amounts due to directors	55,559	9,296	7,349
Obligations under finance leases	–	–	814
Current taxation	–	1,053	1,242
Convertible notes	–	55	8,996
	91,300	45,974	66,727

	As at 30 June 2008 Audited HK$'000	As at 31 March 2007 Audited HK$'000	2006 Audited HK$'000
Net current assets	136,282	31,678	20,925
Total assets less current liabilities	343,510	78,994	67,064
Non-current liabilities			
Bank loans and overdrafts	–	3,812	3,932
Deferred taxation	7,789	4,976	4,499
Convertible notes	–	6,055	6,060
	7,789	14,843	14,491
Net assets	335,721	64,151	52,573
CAPITAL AND RESERVES			
Share capital	24,544	8,602	6,702
Reserves	311,177	55,549	45,871
	335,721	64,151	52,573

II. FINANCIAL INFORMATION OF THE GROUP FOR THE PERIOD FROM 1 APRIL 2007 TO 30 JUNE 2008

Set out below are the audited consolidated financial statements of the Group for the period from 1 April 2007 to 30 June 2008 which are extracted from the annual report of the Company for the 15 months ended 30 June 2008.

CONSOLIDATED INCOME STATEMENT

For the period from 1 April 2007 to 30 June 2008

	Note	Period from 1 April 2007 to 30 June 2008 HK$'000	Year ended 31 March 2007 HK$'000
Turnover	6	143,971	43,236
Cost of sales		(111,964)	(26,287)
Gross profit		32,007	16,949
Other revenue	7	3,742	1,012
Other net income		2,671	–
Marketing and promotion expenses		(19,199)	(2,295)
Administrative expenses		(85,400)	(12,271)
Finance costs	8(a)	(1,874)	(4,810)
Share of losses of associates		(690)	(830)
(Loss) before income tax	8	(68,743)	(2,245)
Income tax	9	(2,609)	(871)
(Loss) attributable to equity holders		(71,352)	(3,116)
(Loss) per share			
– Basic (HK cents)	12(a)	(6.28)	(0.84)
– Diluted (HK cents)	12(b)	(6.27)	N/A

CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Note	30 June 2008 HK$'000	31 March 2007 HK$'000
Non-current assets			
Property, plant and equipment	14	24,285	9,528
Prepaid lease payments	15	34,319	5,761
Intangible assets	16	79,355	27,620
Goodwill	17	60,643	–
Interests in associates	19	2,353	4,407
Interest in a jointly controlled entity	20	–	–
Loans to an associate	21(a)	6,273	–
		207,228	47,316
Current assets			
Trading securities – pledged	22	1,024	–
Derivative financial instruments – pledged		170	–
Inventories	23	1,175	1,187
Accounts receivables	24	85,162	55,983
Prepayments, deposits and other receivables		82,989	5,361
Loans to an associate	21(a)	6,440	–
Tax recoverable	33(a)	317	–
Pledged deposits	25	13,000	13,000
Cash and cash equivalents	26	37,305	2,121
		227,582	77,652
Current liabilities			
Bank loans and overdrafts	28	14,837	16,146
Trade payables, accrued expenses and other payables	29	20,904	14,274
Other loans	30	–	5,150
Amounts due to directors	21(d)	55,559	9,296
Current taxation	33(a)	–	1,053
Convertible notes	34	–	55
		91,300	45,974

	Note	30 June 2008 HK$'000	31 March 2007 HK$'000
Net current assets		136,282	31,678
Total assets less current liabilities		343,510	78,994
Non-current liabilities			
Bank loans and overdrafts	*28*	–	3,812
Deferred taxation	*33(b)*	7,789	4,976
Convertible notes	*34*	–	6,055
		7,789	14,843
Net assets		335,721	64,151
CAPITAL AND RESERVES			
Share capital	*35*	24,544	8,602
Reserves	*37(a)*	311,177	55,549
		335,721	64,151

BALANCE SHEET

At 30 June 2008

	Note	30 June 2008 HK$'000	31 March 2007 HK$'000
Non-current assets			
Interests in subsidiaries	18	66,122	5,925
Interests in associates	19	–	978
Loans to an associate	21(a)	6,273	–
		72,395	6,903
Current assets			
Derivative financial instruments – pledged		170	–
Trading securities – pledged	22	1,024	–
Amount due from an associate	24	–	4
Prepayments and other receivables		7,483	853
Loans to an associate	21(a)	6,440	–
Amounts due from subsidiaries	21(b)	249,098	45,257
Pledged deposits	25	10,000	–
Cash and cash equivalents	26	158	–
		274,373	46,114
Current liabilities			
Amount due to a subsidiary	21(c)	10,890	–
Amounts due to directors	21(d)	45	125
Accrued expenses and other payables	29	2,188	2,898
Other loan	30	–	5,150
Convertible notes	34	–	55
		13,123	8,228
Net current assets		261,250	37,886
Total assets less current liabilities		333,645	44,789

	Note	30 June 2008 HK$'000	31 March 2007 HK$'000
Non-current liabilities			
Convertible notes	34	–	6,055
		–	6,055
NET ASSETS		333,645	38,734
CAPITAL AND RESERVES			
Share capital	35	24,544	8,602
Reserves	37(b)	309,101	30,132
		333,645	38,734

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 April 2007 to 30 June 2008

	Attributable to equity holders of the company								
	Share capital	Share premium	Employee compensation reserve	Convertible notes reserve	Contributed surplus	Capital redemption reserve	Exchange reserve	Retained profits (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	6,702	24,445	1,462	442	5,625	43	–	13,854	52,573
Loss for the year	–	–	–	–	–	–	–	(3,116)	(3,116)
Total recognised income and expenses for the year	–	–	–	–	–	–	–	(3,116)	(3,116)
Issuance of shares	1,900	13,300	–	–	–	–	–	–	15,200
Shares issuance costs	–	(472)	–	–	–	–	–	–	(472)
De-recognition of equity component of convertible notes, net of transaction costs	–	–	–	(282)	–	–	–	282	–
Exchange difference on consolidation	–	–	–	–	–	–	(34)	–	(34)
	1,900	12,828	–	(282)	–	–	(34)	282	14,694
At 31 March 2007	8,602	37,273	1,462	160	5,625	43	(34)	11,020	64,151
At 1 April 2007	8,602	37,273	1,462	160	5,625	43	(34)	11,020	64,151
Loss for the period	–	–	–	–	–	–	–	(71,352)	(71,352)
Total recognised income and expenses for the period	–	–	–	–	–	–	–	(71,352)	(71,352)
Issuance of shares and exercising options	14,682	316,181	(12,493)	–	–	–	–	–	318,370
Shares issuance costs	–	(15,614)	–	–	–	–	–	–	(15,614)
Fair value of options granted	–	–	34,251	–	–	–	–	–	34,251
Exercise of convertible notes, net of transaction costs	1,260	5,026	–	(160)	–	–	–	–	6,126
Exchange difference on consolidation	–	–	–	–	–	–	(211)	–	(211)
	15,942	305,593	21,758	(160)	–	–	(211)	–	342,922
At 30 June 2008	24,544	342,866	23,220	–	5,625	43	(245)	(60,332)	335,721

CONSOLIDATED CASH FLOW STATEMENT

For the period from 1 April 2007 to 30 June 2008

	Period from 1 April 2007 to 30 June 2008	Year ended 31 March 2007
	HK$'000	*HK$'000*
Operating activities		
(Loss) before income tax	(68,743)	(2,245)
Adjustments for:		
– Depreciation and amortisation	20,907	10,150
– Release of prepaid lease payment	232	7
– Inventories written off	–	60
– Allowances of bad debts	10,947	985
– Loss on disposal of subsidiaries	–	10
– Share of losses of associates	690	830
– Interest income	(3,465)	(878)
– Share-based payments	34,250	–
– Property, plant and equipment written off	–	747
– Net gain on disposal of items of property, plant and equipment	(556)	–
– Net gain on disposal of an associate	(2,115)	–
– Dividend income	(2)	–
– Interest expense	1,874	4,810
Operating (loss)/profit before changes in working capital	(5,981)	14,476
Decrease in inventories	12	7,734
(Increase) in accounts receivables	(29,292)	(7,825)
(Increase) in prepayments, deposits and other receivables	(88,462)	(1,544)
Increase in amounts due to directors	46,204	2,020
Increase/(decrease) in trade payables, accrued expenses and other payables	6,530	(3,775)
Cash (used in)/generated from operations	(70,989)	11,086
Hong Kong profits tax paid	(1,167)	(708)
Net cash (used in)/generated from operating activities	(72,156)	10,378

	Note	Period from 1 April 2007 to 30 June 2008 HK$'000	Year ended 31 March 2007 HK$'000
Investing activities			
Loans to an associate		(12,713)	–
(Increase) in trading securities – pledged		(1,024)	–
(Increase) in derivative financial instruments – pledged		(170)	–
Interest received		3,465	878
Decrease in pledged deposits		–	12,000
Payment for purchase of items of property, plant and equipment		(22,027)	(4,002)
Payment for purchase of intangible assets		(65,760)	(8,902)
Payment for prepaid lease payments		(34,545)	–
Proceeds from disposals of land and buildings		6,713	–
Proceeds from disposal of an associate, net of cash	27	3,478	–
Acquisition of subsidiaries, net of cash and cash equivalents acquired	38	(1,516)	–
Net cash (used in) investing activities		(124,099)	(26)
Financing activities			
Capital element of finance lease rentals paid		–	(814)
Net proceeds from issuance of new shares		243,788	14,727
Interest paid		(1,858)	(4,808)
Proceeds from new bank loans		–	1,000
Repayment of other loans		(5,150)	(3,345)
Repayment of bank loans		(4,960)	(2,096)
Interest element of finance lease rentals paid		–	(10)
Net cash generated from financing activities		231,820	4,654
Net increase in cash and cash equivalents		35,565	15,006
Effect of foreign exchange		(220)	10
Cash and cash equivalents at beginning of the period/year		(2,877)	(17,893)
Cash and cash equivalents at end of period/year	26	32,468	(2,877)

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2007 to 30 June 2008

1. GENERAL INFORMATION

Inno-Tech Holdings Limited (the "Company") was incorporated in Bermuda on 19 November 2001 as an exempted company with limited liability under the Companies Act of Bermuda. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited, (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 903 Tung Wai Commercial Building, 109–111 Gloucester Road, Wanchai, Hong Kong, respectively.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 18.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 40.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 39.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

Accounting Standards, Amendments and Interpretations that are not yet effective

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Amendment)	Borrowing costs
HKAS 27 (Revised)	Consolidated and separate financial statements
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellations
HKFRS 3 (Revised)	Business combinations
HKFRS 8	Operating segments
HK (IFRIC) Interpretation 12	Service concession arrangements
HK (IFRIC) Interpretation 13	Customer loyalty programmes
HK (IFRIC) Interpretation 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
HK (IFRIC) Interpretation 15	Agreements for the construction of real estate
HK (IFRIC) Interpretation 16	Hedges of a net investment in a foreign operation

3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out in note 4.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect that application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or area where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The Group's financial year end date has been changed from 31 March to 30 June. The financial statements in current period covered a period from 1 April 2007 to 30 June 2008 and are not entirely comparable to the comparative amounts (which covered a period of twelve months from 1 April 2006 to 31 March 2007) for the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement and the notes to financial statements thereon.

The Group has engaged in the provision of hotel management services and own and management of hotel assets in the People's Republic of China (the "PRC"). The PRC subsidiaries of the Group have financial year end of 31 December annually, the directors considered that it would be administratively more efficient and convenient for these PRC subsidiaries to prepare the Group's audit for the year end 30 June instead of 31 March when personnel of such subsidiaries are busily engaged in the annual business license verification. In addition, the directors also considered that costs could be saved as a result of the change in financial year end.

(b) Basis of consolidation of the financial statements

The consolidated financial statements for the period from 1 April 2007 to 30 June 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated to all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, investments in subsidiaries and amounts due from subsidiaries are stated at cost less impairment losses (see note 4(k)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For the purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 4(k)). The results of the associates and jointly controlled entities are accounted by the Company on the basis of dividends received and receivable.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 4(k)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets.

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(h) Property, plant and equipment

(i) Valuation

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 4(k)).

Subsequent expenditure relating to a property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(ii) Depreciation

Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 50 years.

Depreciation is calculated to write off the cost of other property, plant and equipment over their estimated useful lives on a straight-line basis as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Equipment	5 years
Motor vehicle	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(iii) Disposals

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(i) Intangible assets (other than goodwill)

(i) Valuation

Intangible assets that are acquired by the Group and with finite useful lives are stated in the balance sheets at cost less accumulated amortisation and impairment losses (see note 4(k)).

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

(ii) Amortisation

Amortisation of intangible assets with finite useful lives is charged to the income statement on a straight-line basis over the assets' estimated useful lives as follows:

Patents and trademarks	15 years
Computer software	5 years

(iii) Disposals

Gains or losses arising from de-recognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of an asset and are recognised in the income statement when the asset is de-recognised.

(j) Leased assets

Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(k) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following items may be impaired or an impairment loss previously recognised no longer exists or may have been decreased:

– interest in subsidiaries, associates and jointly controlled entities;

– property, plant and equipment;

– prepaid lease payments;

– intangible assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or Group of units) and then, to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debt except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Service contracts

The accounting policy for contract revenue is set out in note 4(w).

Service contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the "Amounts due from customers" (as an asset) or "Amounts due to customers" (as a liability), as applicable. Progress billings not yet paid by the customers are included in the balance sheet under "Trade debtors".

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Contributions to Mandatory Provident Fund Scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the income statement as incurred.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Trade and other payables

Trade and other payables are initially measured at fair value and thereafter stated at amortized cost, except for short term payable with no stated interest rate and the effect of discounting being immaterial that are measured at their original invoice amount.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or losses on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 4(s) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(u) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability components of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

(v) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized costs with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(w) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) Residential intranet and software application design services

Revenue arising from the provision of residential intranet and software application design services is recognised when the underlying services are rendered, which is estimated by apportionment over the expected duration of each engagement, and the outcome of the contract can be estimated with reasonable certainty.

(ii) Sale of goods

Revenue is recognised when goods are delivered at the customer which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) *Hotel service*

Revenue is recognised when the relevant services are rendered.

(iv) *Interest income*

Interest income is recognised on a time proportion basis using effective interest method.

(v) *Dividends*

Dividend income is recognised when the shareholder's right to receive payment is established.

(vi) *Rental income*

Rental income is recognised on a straight-line basis over the lease term.

(x) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future economic activity. The resultant asset is amortized on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred. Development expenditure previously recognised as an expense is not recognised as an asset in a subsequent period.

(y) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Related parties

For the purposes of these financial statements, party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venture;

(iv) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals;

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(aa) Translation of foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair value was determined. Profits and losses arising on exchange are dealt with in profit or loss.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange difference arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognized as income or as expense in the period in which the operation is disposed of.

(bb) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are readily apparent from other sources. The estimates, judgements and associated assumptions are continually evaluated and are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Group makes estimates and underlying assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Allowances of bad debts

Significant judgement is exercised in the assessment of the collectibility of accounts receivable from each customer. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customers' payment trend including subsequent payments and customers' financial position.

(ii) Valuation of share options

Note 36 contains information about the assumptions relating to the fair value of share options granted.

6. TURNOVER

Turnover represents design of residential intranet, provision of e-property management software application consulting services and trading of home-automation, provision of hotel services and other products in Hong Kong and the People's Republic of China (the "PRC"). The amount of each significant category of revenue recognized in turnover during the period/year is as follows:

	Period from 1 April 2007 to 30 June 2008	**Year ended 31 March 2007**
	HK$'000	*HK$'000*
Income from design of residential intranet, provision of home-automation services and trading of related products	142,686	43,236
Income from hotel services	1,285	–
	143,971	43,236

7. OTHER REVENUE AND OTHER NET INCOME

	Period from 1 April 2007 to 30 June 2008	Year ended 31 March 2007
	HK$'000	*HK$'000*
Other revenue		
Bank interest income	3,025	878
Dividend income from listed securities	2	–
Other interest income	440	–
Rental income	257	–
Sundry income	18	134
	3,742	1,012
Other net income		
Net gain on disposal of an associate	2,115	–
Net gain on disposal of items of property, plant and equipment	556	–
	2,671	–

8. (LOSS) BEFORE INCOME TAX

(Loss) before income tax is arrived at after charging:

		Period from 1 April 2007 to 30 June 2008	Year ended 31 March 2007
		HK$'000	*HK$'000*
(a)	**Finance costs:**		
	Interest on bank loans and overdrafts wholly repayable within five years	1,681	3,224
	Interest on other loans	24	440
	Interest on convertible notes *(note 34)*	169	1,136
	Finance charges on obligations under finance leases	–	10
		1,874	4,810
(b)	**Staff costs:**		
	Contributions to defined contribution plan	319	285
	Long service payment	83	–
	Share-based payments	34,251	–
	Salaries, wages and other benefits	20,422	6,730
		55,075	7,015
	Average number of employees	52	14

(Loss) before income tax is arrived at after charging:

		Period from 1 April 2007 to 30 June 2008 HK$'000	Year ended 31 March 2007 HK$'000
(c)	**Other items:**		
	Cost of inventories	94,752	17,325
	Amortisation of intangible assets	14,025	7,042
	Release of prepaid lease payments	232	7
	Auditor's remuneration	920	460
	Depreciation on owned assets	6,882	3,108
	Operating lease charges in respect of office premises	1,885	580
	Inventories written off	–	60
	Allowances of doubtful debts	10,947	985
	Research and development costs	151	826
	Property, plant and equipment written off	–	747
	Fair value change on derivative financial instruments	316	–
	Fair value change on trading securities	266	–
	Loss on derivative financial instruments	24	–
	Loss on trading securities	198	–
	Exchange loss	2,926	–
	Loss on disposal of subsidiaries	–	10

The cost of sales includes written off of inventories of HK$Nil (31 March 2007: HK$60,000) and aggregate employee benefits expense, depreciation, amortisation of intangible assets and operating lease charges in respect of office premises of approximately HK$16,183,000 (31 March 2007: HK$8,962,000), which are also included in the respective total amounts disclosed above for each of these types of expenses.

9. INCOME TAX

		Period from 1 April 2007 to 30 June 2008 HK$'000	Year ended 31 March 2007 HK$'000
(a)	**Taxation in the consolidated income statement represents:**		
	Current tax		
	Tax for the year – Hong Kong profits tax	–	317
	(Over)/Under-provision in respect of prior years	(204)	77
		(204)	394
	Deferred tax		
	Origination and reversal of temporary differences *(Note 33(b))*	2,813	477
		2,609	871

Hong Kong profits tax has been provided at the rate of 16.5% (31 March 2007: 17.5%) on the estimated assessable profits for the period/year.

(b) Reconciliation between tax expense and accounting (loss) at applicable tax rates:

	Period from 1 April 2007 to 30 June 2008 *HK$'000*	Year ended 31 March 2007 *HK$'000*
(Loss) before income tax	(68,743)	(2,245)
Notional tax on (loss) before income tax, calculated at applicable tax rates in the respective countries	(1,619)	(392)
Tax effect of non-deductible expenses	2,248	457
Tax effect of non-taxable revenue	(413)	–
Tax effect of unused tax losses not recognised	3,027	531
Previous years' unprovided deferred tax	–	198
(Over)/under-provision of profits tax in prior years	(204)	77
Others	(146)	–
Change in tax rate	(284)	–
Actual tax expense	2,609	871

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Period from 1 April 2007 to 30 June 2008 *HK$'000*	Year ended 31 March 2007 *HK$'000*
Fees	473	180
Basic salaries, allowances and other benefits	11,340	3,714
Share-based payments	14,692	–
Long service payment	61	–
Retirement scheme contribution	60	48
	26,626	3,942
Number of directors	7	6

The remuneration of directors for the period from 1 April 2007 to 30 June 2008 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Share-based payments	Long service payment	Retirement scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Ms. Wong Yuen Yee	–	3,240	–	3,493	14	15	6,762
Mr. Wong Kwok Sing	–	3,240	–	3,493	14	15	6,762
Mr. Wong Yao Wing, Robert	–	3,240	–	3,493	19	15	6,767
Mr. Lam Shiu San	–	1,620	–	3,493	14	15	5,142
Independent non-executive directors							
Mr. Wong Tak Leung, Charles	210	–	–	240	–	–	450
Ms. Ho Chui Yin, Liwina *(a)*	–	–	–	–	–	–	–
Mr. Lai Ying Sum	135	–	–	240	–	–	375
Mr. Cheng King Hung *(b)*	128	–	–	240	–	–	368
	473	11,340	–	14,692	61	60	26,626

The remuneration of directors for the year ended 31 March 2007 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Share-based payments	Long service payment	Retirement scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Ms. Wong Yuen Yee	–	960	–	–	–	12	972
Mr. Wong Kwok Sing	–	1,019	–	–	–	12	1,031
Mr. Wong Yao Wing, Robert	–	960	–	–	–	12	972
Mr. Lam Shiu San	–	775	–	–	–	12	787
Independent non-executive directors							
Mr. Wong Tak Leung, Charles	120	–	–	–	–	–	120
Ms. Ho Chui Yin, Liwina *(a)*	–	–	–	–	–	–	–
Mr. Lai Ying Sum	60	–	–	–	–	–	60
Mr. Cheng King Hung *(b)*	–	–	–	–	–	–	–
	180	3,714	–	–	–	48	3,942

Note:

(a) Resigned on 16 May 2007

(b) Appointed on 16 May 2007

Individuals with highest emoluments

The aggregate of the emoluments in respect of the five individuals of highest emoluments (including directors) are as follows:

	Period from 1 April 2007 to 30 June 2008	Year ended 31 March 2007
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits	12,732	4,026
Discretionary bonuses	–	–
Long service payment	61	–
Share-based payments	14,091	–
Retirement scheme contribution	71	59
	26,955	4,085

During the period, no emoluments were paid by the Group to the five individuals with highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

The five individuals whose emoluments were the highest in the Group for the period include four (31 March 2007: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (31 March 2007: one) individual during the period is as follows:

	Period from 1 April 2007 to 30 June 2008	Year ended 31 March 2007
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits	1,392	312
Retirement scheme contribution	11	11
Long service payment	–	–
Share-based payments	119	–
	1,522	323

The emolument of the one (31 March 2007: one) individual with the highest emolument is fall within the following band:

	Number of individual	
	Period from 1 April 2007 to 30 June 2008	Year ended 31 March 2007
Emolument band		
HK$Nil – HK$1,500,000	–	1
HK$1,500,001 – HK$2,000,000	1	–

11. (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated (loss) attributable to equity holders of the Company includes a loss of HK$48,222,000 (31 March 2007: loss of HK$3,384,000) which has been dealt with in the financial statements of the Company.

12. (LOSS) PER SHARE

(a) Basic (loss) per share

The calculation of basic (loss) per share for the period ended 30 June 2008 is based on the loss attributable to equity holders of the Company of HK$71,352,000 (31 March 2007: loss of HK$3,116,000) and on the weighted average of 1,135,329,000 (31 March 2007: 369,108,000) ordinary shares in issue during the period.

(b) Diluted (loss) per share

No diluted (loss) per share had been presented in 31 March 2007 as the Company's share options and the convertible notes are anti-dilutive.

The calculation of diluted (loss) per share for the period ended 30 June 2008 is based on the loss attributable to ordinary equity shareholders of the Company of HK$71,352,000 and the weighted average number of ordinary shares of 1,138,378,000 shares, calculated as follows:

(i) Weighted average number of ordinary shares (diluted)

	30 June 2008 *'000*
Weighted average number of ordinary shares at 30 June 2008	1,135,329
Effect of deemed issue of shares under the company's share option scheme *(note 36)*	3,049
	1,138,378

13. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group comprises the following main business segments:

Intelligent system: the development and sale of intelligent home electronic application system.

Hotel management: the provision for hotel management services.

	Intelligent system		Hotel management		Consolidated	
	1/4/2007 – 30/6/2008	1/4/2006 – 31/3/2007	1/4/2007 – 30/6/2008	1/4/2006 – 31/3/2007	1/4/2007 – 30/6/2008	1/4/2006 – 31/3/2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Revenue from external customers	142,686	43,236	1,285	–	143,971	43,236
Segment results	(286)	(1,415)	(67,491)	–	(67,777)	(1,415)
Unallocated expenses					(276)	–
Share of loss of associates					(690)	(830)
Loss before tax					68,743	(2,245)
Tax					(2,609)	(871)
Loss for the period/year attributable to equity holders of the parent					(71,352)	(3,116)

	Intelligent system		Hotel management		Consolidated	
	30/6/2008	31/3/2007	30/6/2008	31/3/2007	30/6/2008	31/3/2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	304,039	120,561	128,071	–	432,110	120,561
Interest in associates	2,353	4,407	–	–	2,353	4,407
Unallocated assets					347	–
Total assets					434,810	124,968
Segment liabilities	(87,163)	(60,817)	(11,582)	–	(98,745)	(60,817)
Unallocated liabilities					(344)	–
Total liabilities					(99,089)	(60,817)
Capital expenditure incurred during the period/year	42,777	12,904	79,555	–	122,332	12,904

(b) Geographical segments

The Group's business is mainly participated in Hong Kong and the People's Republic of China.

Analysis of segment revenue, assets and capital expenditure is as follows:

	Hong Kong		People's Republic of China		Consolidated	
	1/4/2007 – 30/6/2008	**1/4/2006 – 31/3/2007**	**1/4/2007 – 30/6/2008**	**1/4/2006 – 31/3/2007**	**1/4/2007 – 30/6/2008**	**1/4/2006 – 31/3/2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Revenue from external customers	142,686	43,236	1,285	–	143,971	43,236
Other segment information:						
Total assets	248,856	90,627	185,954	34,341	434,810	124,968
Capital expenditure	1,367	31	120,965	12,873	122,332	12,904

14. PROPERTY, PLANT AND EQUIPMENT

	The Group					
	Buildings	Leasehold improvements	Furniture and fixtures	Equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:						
At 1 April 2006	420	1,777	689	9,839	20	12,745
Additions	–	–	31	3,971	–	4,002
Write-offs	–	(353)	(172)	(2,397)	(20)	(2,942)
Exchange realignment	–	–	–	9	–	9
At 31 March 2007	420	1,424	548	11,422	–	13,814
Additions	5,373	358	63	15,196	1,037	22,027
Disposal	(420)	–	–	–	–	(420)
Exchange realignment	–	–	2	22	–	24
At 30 June 2008	5,373	1,782	613	26,640	1,037	35,445
Accumulated depreciation and impairments:						
At 1 April 2006	2	519	364	2,481	5	3,371
Charge for the year	8	285	75	2,736	4	3,108
Written back on write-offs	–	(353)	(154)	(1,679)	(9)	(2,195)
Exchange realignment	–	–	–	2	–	2
At 31 March 2007	10	451	285	3,540	–	4,286
Charge for the period	20	360	124	6,140	238	6,882
Written back on disposals	(18)	–	–	–	–	(18)
Exchange realignment	–	–	–	10	–	10
At 30 June 2008	12	811	409	9,690	238	11,160
Net book value:						
At 30 June 2008	5,361	971	204	16,950	799	24,285
At 31 March 2007	410	973	263	7,882	–	9,528

The analysis of net book value of buildings is as follows:

	The Group	
	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
In Hong Kong		
– Long leases	–	410
In the People's Republic of China		
– Medium-term leases	5,361	–
	5,361	410

Buildings with net book value of approximately HK$4,387,000 (31 March 2007: HK$Nil) were pledged to a bank for a third party.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent prepaid lease payments on leasehold land and their net carrying value are analysed as follows:

	The Group	
	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Cost:		
At beginning of period/year	5,770	5,770
Additions	34,545	–
Disposals	(5,770)	–
At end of period/year	34,545	5,770
Release:		
At beginning of period/year	9	2
Release for the period/year	232	7
Written back on disposals	(15)	–
At end of period/year	226	9
Net book value:		
At end of period/year	34,319	5,761

The analysis of net book value of prepaid lease payments is as follows:

	The Group	
	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
In Hong Kong		
– Long leases	–	5,761
In the People's Republic of China		
– Medium-term leases	34,319	–
	34,319	5,761

Prepaid lease payments with net book value of approximately HK$12,008,000 (31 March 2007: HK$Nil) were pledged to a bank for a third party.

16. INTANGIBLE ASSETS

	The Group		
	Patents and trademarks	**Computer software**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 April 2006	4,300	31,133	35,433
Additions	–	8,902	8,902
At 31 March 2007	4,300	40,035	44,335
Additions	–	65,760	65,760
At 30 June 2008	4,300	105,795	110,095
Accumulated amortisation:			
At 1 April 2006	406	9,267	9,673
Charge for the year	287	6,755	7,042
At 31 March 2007	693	16,022	16,715
Charge for the period	860	13,165	14,025
At 30 June 2008	1,553	29,187	30,740
Net book value:			
At 30 June 2008	2,747	76,608	79,355
At 31 March 2007	3,607	24,013	27,620

17. GOODWILL

	The Group	
	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Cost:		
At beginning of period/year	–	–
Acquisition of subsidiary *(note 38)*	60,643	–
At end of period/year	60,643	–

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the cash-generating unit ("CGU") as follows:

	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Autoscale Resources Limited	60,643	–
	60,643	–

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12% per annum. Cash flows beyond the five-year period have been extrapolated using a steady 8% per annum growth rate.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Unlisted shares, at cost	66,410	5,925
Less: Impairment loss	(288)	–
	66,122	5,925

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of Company	Place of incorporation/ establishment	Percentage of equity Group's effective interest	Held by the Company	Held by subsidiary	Particulars of issued/registered capital	Principal activity and place of operation
Autoscale Resources Limited	BVI	56%	56%	–	56 shares of US$1 each	Investment holding in Hong Kong and BVI
Shimmer Scene Holdings Limited	BVI	100%	100%	–	1 share of US$1 each	Trademark and patent holding in Hong Kong
Cyberliving (Hong Kong) Co Limited	Hong Kong	100%	–	100%	4 shares of HK$1 each	Leasing of office premises in Hong Kong
Cyberworks Technology Limited	Hong Kong	100%	–	100%	4 shares of HK$1 each	Provision of systems design and integration services in Hong Kong
匯創智能系統(深圳)有限公司	People's Republic of China (the "PRC")	100%	–	100%	Registered capital of HK$1,000,000	Development, production and sales of intelligent automation and control systems in the PRC
Inno Hotel Management Limited	BVI	100%	–	100%	100 shares of USD1 each	Provision of hotel management service in the PRC
Grand Sino Group Holdings Limited	Hong Kong	100%	–	100%	1 share of HK$1 each	Investment holding in Hong Kong
北京匯漢酒店管理有限公司	The PRC	100%	–	100%	Registered capital of RMB1,500,000	Provision of hotel management services in the PRC
Inno Hotel Investment & Management Holdings Limited	BVI	100%	–	100%	100 shares of USD500 each	Investment holding in Hong Kong and BVI
Uni-World Hong Kong Group Limited	Hong Kong	100%	–	100%	100 shares of USD500 each	Provision of hotel management services in the PRC
Sunny Team Corporation Limited	Hong Kong	100%	–	100%	1 share of HK$1 each	Investment holding in the PRC
廣州尚匯酒店管理有限公司	The PRC	100%	–	100%	Registered capital of RMB13,000,000	Provision of hotel management services in the PRC
Homesmart Properties Limited	Hong Kong	100%	–	100%	1 share of HK$1 each	Investment holding in the PRC
廣州康澤酒店管理有限公司	The PRC	100%	–	100%	Registered capital of RMB18,000,000	Provision of hotel management services in the PRC

19. INTERESTS IN ASSOCIATES

	The Group		The Company	
	30 June 2008	31 March 2007	30 June 2008	31 March 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	–	–	978
Share of net assets of associates:				
– Balance at beginning of period/year	4,407	5,237	–	–
– Disposal of associate	(1,363)	–	–	–
Share of losses of associates				
– Share of losses before tax	(829)	(661)	–	–
– Share of tax expenses	138	(169)	–	–
Balance at end of period/year	2,353	4,407	–	978

Details of the Group's interests in associates are as follows:

Name of Company	Form of business structure	Place of incorporation	Percentage of equity: Group's effective interest	Percentage of equity: Held by the Company	Percentage of equity: Held by subsidiary	Particulars of issued capital	Principal activity and place of operation
Grace Pond Limited *	Incorporated	Hong Kong	49%	–	49%	1,000 shares of HK$1 each	Provision of software application consultancy services in Hong Kong
General Win Limited *	Incorporated	Hong Kong	49%	–	49%	1,000 shares of HK$1 each	Provision of software application consultancy services in Hong Kong
United Premier Medical Group Limited *	Incorporated	Cayman Island	15.87%	–	28.34%	21,169 shares of HK$0.01 each	Investment holding

* *Companies not audited by PCP CPA Limited*

Summary financial information on associates:

	The Group	
	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Assets	16,586	10,034
Liabilities	33,652	1,041
Revenues	2,929	–
(Loss) after tax	(19,855)	(1,694)

20. INTEREST IN JOINTLY CONTROLLED ENTITY

	The Group	
	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Share of net assets of jointly controlled entity	–	–

Note: The Group's share of losses exceeds the carrying amounts of the jointly controlled entity, the carrying amount is reduced to nil.

Details of the Group's interest in jointly controlled entity are as follows:

			Percentage of equity				
Name of Company	**Form of business structure**	**Place of incorporation**	**Group's effective interest**	**Held by the Company**	**Held by subsidiary**	**Particulars of issued capital**	**Principal activity and place of operation**
Parentech China Limited	Incorporated	Hong Kong	50%	–	50%	2 shares of HK$1 each	Distribution of the Nature's Cradle Products in the PRC

Summary financial information on the jointly controlled entity related to the Group's interests:

	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Current liabilities	93	92
Income	–	2
Expenses	(1)	(3)
Loss for the period/year	(1)	(1)

21. LOANS TO AN ASSOCIATE/AMOUNTS DUE FROM/TO SUBSIDIARIES/AMOUNTS DUE TO DIRECTORS

(a) Loans to an associate are unsecured and interest bearing at rate of 5% per annum. The loans are repayable as follows:

	The Group		The Company	
	30 June 2008	31 March 2007	30 June 2008	31 March 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	6,440	–	6,440	–
After one year	6,273	–	6,273	–
	12,713	–	12,713	–

(b) Amounts due from subsidiaries

	The Company	
	30 June 2008	31 March 2007
	HK$'000	*HK$'000*
Amounts due from subsidiaries	292,668	45,257
Less: Impairment loss	(43,570)	–
	249,098	45,257

Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(c) Amount due to a subsidiary is unsecured, interest free and repayable on demand.

(d) Amounts due to directors are unsecured, interest free and repayable on demand.

22. TRADING SECURITIES

	The Group and the Company	
	30 June 2008	31 March 2007
	HK$'000	*HK$'000*
Pledged trading securities (at market value)		
Listed equity securities		
– in Hong Kong	1,024	–

23. INVENTORIES

	The Group	
	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Finished goods	200	999
Work in progress	412	95
Raw materials	276	93
Spare parts and consumables	287	–
	1,175	1,187

The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Carrying amount of inventories sold	94,752	17,325
Write down of inventories	–	60
	94,752	17,385

24. ACCOUNT RECEIVABLES

	The Group		The Company	
	30 June 2008	**31 March 2007**	**30 June 2008**	**31 March 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade debtors	65,386	40,322	–	–
Less: allowance for doubtful debts	(113)	(320)	–	–
	65,273	40,002	–	–
Amounts due from customers	19,675	15,820		
Receivable from a jointly controlled entity	95	92	–	–
Receivable from an associate	119	69	–	4
	85,162	55,983	–	4

(a) Ageing analysis

Included in accounts receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group		The Company	
	30 June 2008	**31 March 2007**	**30 June 2008**	**31 March 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current	45,896	6,991	–	–
Less than 1 month past due	7,522	1,295	–	–
1 to 3 months past due	8,112	5,226	–	–
Over 3 months past due	3,743	26,490	–	–
	19,377	33,011	–	–
	65,273	40,002	–	–

Trade debtors are due within 120 days from the date by billing. Further details on the Group's credit policy are set out in Note 40(d).

(b) Impairment of trade debtors

At 30 June 2008, the Group's trade debtors of HK$113,000 (31 March 2007: HK$320,000) was individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables were not expected to be recovered. The Group does not hold any collateral over these balances.

(c) Trade debtors that are not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

25. PLEDGED DEPOSITS

	The Group		The Company	
	30 June 2008	**31 March 2007**	**30 June 2008**	**31 March 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank deposits pledged against banking facilities	13,000	13,000	10,000	–

26. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	30 June 2008	31 March 2007	30 June 2008	31 March 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	37,305	2,121	158	–
Cash and cash equivalents in the balance sheet	37,305	2,121	158	–
Bank overdrafts *(note 28)*	(4,837)	(4,998)	–	–
Cash and cash equivalents in the consolidated cash flow statement	32,468	(2,877)	158	–

Included in cash and cash equivalents in the balance sheets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	30 June 2008	31 March 2007	30 June 2008	31 March 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi	567	46	–	–

27. DISPOSAL OF AN ASSOCIATE

The Group had disposed its associate, Pro-innovative Holdings Limited during the period. The share of aggregated net assets of Pro-innovative Holdings Limited at the date of disposal were approximately HK$1,363,000, the disposal was satisfied by cash of approximately HK$3,478,000 with a gain on disposal of approximately HK$2,115,000.

28. BANK LOANS AND OVERDRAFTS

Bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	30 June 2008	31 March 2007	30 June 2008	31 March 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Bank loans	–	3,812	–	–
Current				
Bank overdrafts *(note 26)*	4,837	4,998	–	–
Bank loans	10,000	11,148	–	–
	14,837	16,146	–	–
Total	14,837	19,958	–	–

	The Group		The Company	
	30 June 2008	31 March 2007	30 June 2008	31 March 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured				
Bank overdrafts	4,837	4,998	–	–
Bank loans	10,000	14,960	–	–
	14,837	19,958	–	–

The bank overdrafts facilities and the bank loans are secured by the Group's time deposits of HK$13,000,000 (31 March 2007: HK$13,000,000) as at 30 June 2008.

The directors, Ms. Wong Yuen Yee, Mr. Wong Yao Wing, Robert and Mr. Wong Kwok Sing have provided personal guarantee for bank loan and overdraft facilities to the extent of HK$15,000,000 (31 March 2007: HK$24,040,000) granted to the Group and the Company.

Such banking facilities amounted to HK$Nil (31 March 2007: HK$6,040,000), HK$3,000,000 (31 March 2007: HK$4,000,000) and HK$12,000,000 (31 March 2007: HK$14,000,000) respectively. The facilities were utilised to the extent of HK$Nil (31 March 2007: HK$4,041,000), HK$2,912,000 (31 March 2007: HK$3,918,000) and HK$11,926,000 (31 March 2007: HK$13,790,000) respectively.

The maturity of borrowings is as follows:

	Bank loans and overdrafts			
	The Group		The Company	
	30 June 2008	31 March 2007	30 June 2008	31 March 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	14,926	16,146	–	–
Between 1 and 2 years	–	121	–	–
Between 2 and 5 years	–	411	–	–
Wholly repayable within 5 years	14,926	16,678	–	–
Over 5 years	–	3,280	–	–

The effective interest rates were as follows:

	30 June 2008	31 March 2007
Bank overdrafts	7.8%	9.3%
Bank loans	7.1%	8.8%

The directors consider that the carrying amounts of borrowings approximate their fair values.

The carrying amounts of the borrowings are denominated in Hong Kong dollars.

29. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	The Group		The Company	
	30 June 2008	31 March 2007	30 June 2008	31 March 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	5,842	175	–	–
Bills payable	–	1,970	–	–
Amount due to a related company	286	1,493	–	–
Accrued expenses and other payables	14,776	10,636	2,188	2,898
	20,904	14,274	2,188	2,898

The carrying amount of trade and other payables are all denominated in Hong Kong dollars.

30. OTHER LOANS

Other loan were unsecured, bearing interest at rate of 13% per annum and repayable within 12 months from the balance sheet date.

31. RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees with their assets held separately from those of the Group. The Group participates in a Mandatory Provident Fund ("MPF"), managed by independently approved MPF trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

32. LONG SERVICE PAYMENTS

	The Group	
	30 June 2008	31 March 2007
	HK$'000	*HK$'000*
Balance as at the beginning of period/year	150	150
Addition during the period/year	83	–
Balance as at the end of period/year	233	150

Under the Hong Kong Employment Ordinance, an entity is required to make long service payments to its employees upon the termination of their employment or retirement when the employee fulfils certain conditions and the termination meets the required circumstances. However, where an employment is simultaneously entitled to a long service payment and to a retirement scheme payment, the amount of the long service payment may be reduced by certain benefits arising from the retirement scheme.

33. CURRENT AND DEFERRED TAXATION

	The Group	
	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
(a) Current taxation in the consolidated balance sheet represents:		
Provision for Hong Kong profits tax	–	(394)
Provisional profits tax paid	317	–
Balance of profits tax provision relating to prior years	–	(659)
	317	(1,053)

(b) Deferred tax liabilities recognised:

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the period are as follows:

	Accelerated depreciation allowances
	HK$'000
Deferred tax liabilities arising from:	
At 1 April 2006	4,499
Charged to consolidated income statement *(note 9)*	477
At 31 March 2007	4,976
Charged to consolidated income statement *(note 9)*	2,813
At 30 June 2008	7,789

The Group has not recognised net deferred tax assets in respect of tax losses of HK$3,760,000 (31 March 2007: HK$1,133,000) due to the unpredictability of future profit stream. The tax losses do not expire under current tax legislation.

34. CONVERTIBLE NOTES

HK$6.3 million Convertible Notes due 2008 (the "2005 Notes")

On 12 August 2005, the Company issued 3-year HK$6.3 million unsecured convertible notes bearing interest at 7.5% per annum payable quarterly in arrears of each year. Subsequent to a share consolidation on 7 February 2006, holders of the 2005 Notes have the option to convert the notes into ordinary shares of the Company of HK$0.02 each at a conversion price of HK$0.1, subject to adjustments in accordance with the instrument constituting the convertible notes, at any time nine months after 12 August 2005 up to the third business day before the maturity date, 7 August 2008. Unless previously redeemed and cancelled, the notes will be redeemed at par on the maturity date. During the period, the convertible notes holders have exercised their rights to convert the Company's ordinary shares.

The interest charged for the period/year is calculated using the effective interest method by applying the effective interest rate of 8.5% to the liability component.

The 2005 Notes were fully converted during the period/year.

The net proceeds received from the issue of the convertible notes have been splitted between the liability component and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group as follows:

	The Group and the Company	
	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Liability component at the beginning of the period/year	6,110	15,056
Redemption of convertible bonds	–	(9,320)
Conversion of convertible bonds to ordinary shares	(6,126)	–
Interest charged	169	1,136
Interest paid	(153)	(762)
Liability component at the end of the period/year	–	6,110
Less: Amount due within one year shown under current liabilities	–	(55)
Amount due after one year	–	6,055

35. SHARE CAPITAL

	30 June 2008		31 March 2007	
	Number of shares	**Nominal value**	**Number of shares**	**Nominal value**
	'000	*HK$'000*	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.02 each				
Beginning and end of the period/year	5,000,000	100,000	5,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.02 each				
Beginning of the period/year	430,075	8,602	335,075	6,702
Shares issued under share option scheme *(note a)*	98,227	1,964	–	–
Placements of shares *(note b)*	635,885	12,718	–	–
Conversion of convertible notes *(note c)*	63,000	1,260	–	–
Issuance of shares	–	–	95,000	1,900
End of period/year	1,227,187	24,544	430,075	8,602

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All the ordinary shares rank equally with regard to Company's residual assets.

Note:

(a) During the period, options were exercised to subscribe for 98,227,000 ordinary shares in the Company at a consideration of HK$39,229,000 of which HK$1,964,000 was credited to share capital and the balance of HK$37,265,000 was credited to the share premium account. HK$12,493,000 has been transferred from the share option reserve to the share premium account.

(b) On 19 April 2007, the Company issued 351,000,000 ordinary shares of HK$0.168 each totalling HK$58,968,000 as a consideration for exchange of 56% in the issued capital of a subsidiary namely Autoscale Resources Limited. The excess of the consideration over the nominal value of shares of HK$7,020,000 was credited to the share premium account of the Company.

On the same date, the Company placed and issued 100,000,000 ordinary shares of HK$0.168 each at cash consideration of HK$16,800,000 in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$2,000,000 was credited to the share premium account of the Company.

On 25 May 2007, the Company placed and issued 184,884,900 ordinary shares of HK$1.100 each at cash consideration of HK$203,373,000 in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$3,698,000 was credited to the share premium account of the Company.

(c) On 27 July 2007, the convertible note holders have exercised conversion right to convert the whole part of the principal amount into the 63,000,000 ordinary shares in the Company. The excess of the aggregate cash consideration over the nominal value of shares of HK$1,260,000 was credited to the share premium account of the Company.

(d) All new ordinary shares issued during the year rank pari passu in all respects with the existing shares.

(e) Terms of unexpired and unexercised share options at balance sheet date.

Exercise period	**Exercise price after share consolidation**	**30 June 2008 Number**	**31 March 2007 Number**
5 July 2002 to 4 July 2012	HK$0.28	4,800,000	22,320,000
6 January 2004 to 5 January 2014	HK$0.22	10,500	16,660,000
20 September 2005 to 19 September 2015	HK$0.114	1,000,000	17,000,000
23 August 2007 to 22 August 2017	HK$0.63	69,780,000	–
		75,590,500	55,980,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 36 to the financial statements.

36. SHARE OPTION SCHEMES

The Company adopted a share option scheme on 5 July 2002 whereby any employees (whether or not full-time or part-time) and any consultant or adviser who, at the sole discretion of the board, subject to the terms of the share option scheme, contributed to the Group, may be granted options to subscribe for shares in the Company.

The maximum number of shares in respect of which options may be granted under the schemes must not exceed 10% of the shares in issue.

(i) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO option scheme adopted by the Company on 5 July 2002 (the "Pre-IPO Share Option Scheme"), the principal terms of which were set out in the Prospectus, options were granted to the grantees to subscribe for shares in the Company.

The following share options with an exercise period from 5 July 2002 to 4 July 2012 were outstanding under the Pre-IPO Share Option Scheme during the period:

	Number of share options granted on 5 July 2002					
Name or category of participant	At 1 April 2007	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2008
Exercise price per share after share consolidation	HK$0.28					HK$0.28
Executive directors:						
Ms. Wong Yuen Yee	2,400,000	–	(2,400,000)	–	–	–
Mr. Wong Kwok Sing	2,400,000	–	(2,400,000)	–	–	–
Mr. Wong Yao Wing, Robert	2,400,000	–	(2,400,000)	–	–	–
Mr. Lam Siu San	2,400,000	–	(2,400,000)	–	–	–
	9,600,000	–	(9,600,000)	–	–	–
Senior management	4,800,000	–	(2,400,000)	–	–	2,400,000
Other employees	7,920,000	–	(5,520,000)	–	–	2,400,000
	22,320,000	–	(17,520,000)	–	–	4,800,000

(ii) Post-IPO Share Option Scheme

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme, the principal terms of which are set out in the section headed "Share Option Schemes" in Appendix IV of the Prospectus. Options were granted by the Company under the Post-IPO Share Option Scheme on 6 January 2004.

The following share options with an exercise period from 6 January 2004 to 5 January 2014 were outstanding under the Post-IPO Share Option Scheme during the period:

	Number of share options granted on 6 January 2004					
Name or category	At 1 April 2007	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2008
Exercise price per share after share consolidation	HK$0.22					HK$0.22
Executive directors:						
Ms. Wong Yuen Yee	2,378,500	–	(2,378,500)	–	–	–
Mr. Wong Kwok Sing	2,378,500	–	(2,378,500)	–	–	–
Mr. Wong Yao Wing, Robert	2,378,500	–	(2,378,500)	–	–	–
Mr. Lam Siu San	2,378,500	–	(2,378,500)	–	–	–
	9,514,000	–	(9,514,000)	–	–	–
Senior management	2,378,500	–	(2,378,500)	–	–	–
Other employees	4,767,500	–	(4,757,000)	–	–	10,500
	16,660,000	–	(16,649,500)	–	–	10,500

(iii) Post-IPO Share Option Scheme

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme, the principal terms of which are set out in the section headed "Share Option Schemes" in Appendix IV of the Prospectus. Options were granted by the Company under the Post-IPO Share Option Scheme on 20 September 2005.

The following share options with an exercise period from 20 September 2005 to 19 September 2015 were outstanding under the Post-IPO Share Option Scheme during the period:

	Number of share options granted on 20 September 2005					
Name or category of participant	At 1 April 2007	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2008
Exercise price per share	HK$0.114					HK$0.114
Executive directors:						
Ms. Wong Yuen Yee	2,900,000	–	(2,900,000)	–	–	–
Mr. Wong Kwok Sing	2,900,000	–	(2,900,000)	–	–	–
Mr. Wong Yao Wing, Robert	2,900,000	–	(2,900,000)	–	–	–
Mr. Lam Siu San	2,900,000	–	(2,900,000)	–	–	–
	11,600,000	–	(11,600,000)	–	–	–
Senior management	750,000	–	(750,000)	–	–	–
Other employees	4,650,000	–	(3,650,000)	–	–	1,000,000
	17,000,000	–	(16,000,000)	–	–	1,000,000

(iv) Post-IPO Share Option Scheme

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme, the principal terms of which are set out in the section headed "Share Option Schemes" in Appendix IV of the Prospectus. Options were granted by the Company under the Post-IPO Share Option Scheme on 23 August 2007.

The following share options with an exercise period from 23 August 2007 to 22 August 2017 were outstanding under the Post-IPO Share Option Scheme during the period:

	Number of share options granted on 23 August 2007					
Name or category of participant	At 1 April 2007	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2008
Exercise price per share	HK$0.630					HK$0.630
Executive directors:						
Ms. Wong Yuen Yee	–	7,930,000	–	–	–	7,930,000
Mr. Wong Kwok Sing	–	7,930,000	–	–	–	7,930,000
Mr. Wong Yao Wing, Robert	–	7,930,000	–	–	–	7,930,000
Mr. Lam Siu San	–	7,930,000	–	–	–	7,930,000
	–	31,720,000	–	–	–	31,720,000
Non-executive directors:						
Wong Tak Leung, Charles	–	1,000,000	–	–	–	1,000,000
Lai Ying Sum	–	1,000,000	–	–	–	1,000,000
Cheung King Hung	–	1,000,000	–	–	–	1,000,000
	–	3,000,000	–	–	–	3,000,000
Senior management	–	61,470,000	(39,280,000)	–	–	22,190,000
Other employees	–	12,870,000	–	–	–	12,870,000
	–	109,060,000	(39,280,000)	–	–	69,780,000

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company adopted the Post-IPO share option scheme, the principal terms of which are set out in the section headed "Share Option Schemes" in Appendix IV of the Prospectus. Options were granted by the Company under the Post-IPO Share Option Scheme on 26 October 2007.

The following share options with an exercise period from 26 October 2007 to 25 October 2017 were outstanding under the Post-IPO Share Option Scheme during the period:

	Number of share options granted on 26 October 2007					
Name or category of participant	At 1 April 2007	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2008
Exercise price per share	HK$0.466					HK$0.466
Other employees	–	8,777,940	(8,777,940)	–	–	–

The fair values of the options granted on 20 September 2005, 23 August 2007 and 26 October 2007 determined using the Binomial Option Pricing Model were HK$2,459,600, HK$32,590,077 and HK$1,660,147 respectively. The significant inputs and assumptions to the model were as follows:

Grant date	20 September 2005	23 August 2007	26 October 2007
Stock assets price	HK$0.055	HK$0.63	HK$0.466
Exercise price	HK$0.057	HK$0.63	HK$0.455
Expected volatility	107%	77.37%	77.67%
Expected life	5 years	10 years	10 years
Risk free interest rate	4.012%	4.480%	3.910%
Expected dividend yield	0%	0%	0%

Expected volatility was based on weekly historical volatility since the establishment of the Company.

The Binomial Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share price. Any changes in subjective input assumptions could materially affect the fair value estimate.

37. RESERVES

(a) The Group

	Share premium	Share option reserve	Convertible notes reserve	Contributed surplus	Capital redemption reserve	Exchange reserve	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006,	24,445	1,462	442	5,625	43	–	13,854	45,871
Loss for the year	–	–	–	–	–	–	(3,116)	(3,116)
Issuance of shares	13,300	–	–	–	–	–	–	13,300
Shares issuance costs	(472)	–	–	–	–	–	–	(472)
De-recognition of equity component of convertible notes, net of transaction cost	–	–	(282)	–	–	–	282	–
Exchange difference on consolidation	–	–	–	–	–	(34)	–	(34)
At 31 March 2007	37,273	1,462	160	5,625	43	(34)	11,020	55,549
Loss for the period	–	–	–	–	–	–	(71,352)	(71,352)
Issuance of shares	266,423	–	–	–	–	–	–	266,423
Fair value of options granted	–	34,251	–	–	–	–	–	34,251
Exercise of share options	49,758	(12,493)	–	–	–	–	–	37,265
Shares issuance costs	(15,614)	–	–	–	–	–	–	(15,614)
Exercise of convertible bonus notes, net of transaction cost	5,026	–	(160)	–	–	–	–	4,866
Exchange difference on consolidation	–	–	–	–	–	(211)	–	(211)
At 30 June 2008	342,866	23,220	–	5,625	43	(245)	(60,332)	311,177

The share issuance costs were written off against the share premium account.

Included in Group accumulated losses is an accumulated losses of HK$2,270,000 (31 March 2007: HK$1,580,000), attributable to associates and jointly controlled entity.

The application of the share premium account and capital redemption reserve is governed by Bye-Law 140(A) of the Company's Bye-Law and the Companies Act 1981 of Bermuda ("Companies Act").

Pursuant to the Re-organisation as set out in the prospectus, the Company became the holding company of the Group on 5 July 2002. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the Re-organisation was transferred to contributed surplus. Contributed surplus is available for distribution to shareholders subject to the provision of section 54 of the Companies Act.

(b) The Company

	Share premium	Share option reserve	Convertible notes reserve	Contributed surplus	Capital redemption reserve	(Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2006	24,445	1,462	442	5,625	43	(11,329)	20,688
Loss for the year	–	–	–	–	–	(3,384)	(3,384)
Issuance of shares	13,300	–	–	–	–	–	13,300
Shares issuance costs	(472)	–	–	–	–	–	(472)
De-recognition of equity component of convertible notes, net of transaction costs	–	–	(282)	–	–	282	–
Balance at 31 March 2007	37,273	1,462	160	5,625	43	(14,431)	30,132
Loss for the period	–	–	–	–	–	(48,222)	(48,222)
Issuance of shares	266,423	–	–	–	–	–	266,423
Fair value of options granted	–	34,251	–	–	–	–	34,251
Exercise of share options	49,758	(12,493)	–	–	–	–	37,265
Share issuance costs	(15,614)	–	–	–	–	–	(15,614)
Exercise of convertible bonus notes, net of transaction costs	5,026	–	(160)	–	–	–	4,866
Balance at 30 June 2008	342,866	23,220	–	5,625	43	(62,653)	309,101

At 30 June 2008, no aggregate amount of reserves available for distribution to shareholders of the Company (31 March 2007: HK$Nil).

Pursuant to the Re-organisation as set out in the prospectus, the Company became the holding company of the Group on 5 July 2002. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the Re-organisation was transferred to contributed surplus. Contributed surplus is available for distribution to shareholders subject to the provision of section 54 of the Companies Act.

38. ACQUISITION OF SUBSIDIARY

The Group acquired 56% of the issued share capital of Autoscale Resources Limited for a total consideration of HK$60,484,000 (including professional fee of HK$1,516,000). The amount of goodwill arising as a result of the acquisition was HK$60,643,000.

The net liabilities acquired in the transaction and the goodwill arising are as follows:

	HK$'000
Net (liabilities) acquired:	
Amount due to director	(59)
Accruals	(100)
	(159)
Goodwill *(note 17)*	60,643
	60,484
Total consideration satisfied by:	
Cash paid for professional fee	1,516
Shares allotted	58,968
	60,484
Net cash outflow arising on acquisition:	
Cash consideration	1,516

39. CAPITAL RISK MANAGEMENT

The Group manage its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debt financing, or sell assets to reduce debt. No changes were made in the objective and processes during the period/year of 2008 and 2007.

The Group monitors capital using a gearing ratio. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio at 30 June 2008 and 31 March 2007 was as follows:

	The Group and the Company	
	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Debt *(Note i)*	14,837	26,068
Cash and cash equivalents and pledged deposits	(50,305)	(15,121)
Net debt	(35,468)	10,947
Equity *(Note ii)*	335,721	64,151
Net debt to equity ratio	0%	17.1%

(i) Debt comprises total bank borrowings and convertible notes.

(ii) Equity include all capital and reserves of the Group.

40. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, equity price risk, foreign currency risk and cash flow interest rates risk. The Group's overall risk management programme seek to minimise potential adverse effects on the Group's financial performance and are set out below.

(a) Interest rate risk

The Group is exposed to cash flow interest rate risk on variable-rate bank borrowings. Management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant cash flow interest rate risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

At 2008, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss after tax would increase/decrease by approximately HK$14,000 (31 March 2007: HK$68,000). This is mainly attributable to the Company's exposure to interest rates on its bank balances and bank loans.

(b) Liquidity risk

The Group incurred a loss in the current period and was financed by bank and other borrowings. The Group's operations are exposed to liquidity risk. Management monitors closely the liquidity position of the Group so as to meet all the financial obligations as and when they fall due. Management will consider to raise fund by ways of issuing debt and equity instruments of the Group or to obtain adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	30 June 2008						31 March 2007					
	Carrying Amount	Total contractual undis-counted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying Amount	Total contractual undis-counted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans and overdrafts	14,837	(14,848)	(14,848)	–	–	–	19,958	(22,594)	(16,609)	(344)	(1,031)	(4,610)
Trade payables, accrued expenses and other payables	20,904	(20,904)	(20,904)	–	–	–	14,274	(14,311)	(14,311)	–	–	–
Other loan	–	–	–	–	–	–	5,150	(5,164)	(5,164)	–	–	–
Amounts due to directors	55,559	(55,559)	(55,559)	–	–	–	9,296	(9,296)	(9,296)	–	–	–
Convertible notes	–	–	–	–	–	–	6,110	(6,890)	(356)	(6,534)	–	–
	91,300	(91,311)	(91,311)	–	–	–	54,788	(58,255)	(45,736)	(6,878)	(1,031)	(4,610)

The Company

	30 June 2008						31 March 2007					
	Carrying Amount	Total contractual undis-counted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying Amount	Total contractual undis-counted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to a subsidiary	10,890	(10,890)	(10,890)	–	–	–	–	–	–	–	–	–
Amounts due to directors	45	(45)	(45)	–	–	–	125	(125)	(125)	–	–	–
Accrued expenses and other payables	2,188	(2,188)	(2,188)	–	–	–	2,898	(2,898)	(2,898)	–	–	–
Other loan	–	–	–	–	–	–	5,150	(5,164)	(5,164)	–	–	–
Convertible notes	–	–	–	–	–	–	6,110	(6,890)	(356)	(6,534)	–	–
	13,123	(13,123)	(13,123)	–	–	–	14,283	(15,077)	(8,543)	(6,534)	–	–

(c) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 22). All of the investments are listed investment on the Stock Exchange of Hong Kong.

Sensitivity analysis

At 2008, if equity prices at that date had been 5% higher/lower with all other variables held constant, net loss for the period would decrease by HK$51,000 (31 March 2007: HK$Nil).

(d) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history. Bank deposits are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivables are set out in note 24.

(e) Foreign currency risk

The Group does not have a significant foreign currency risk exposure arising from its sales and purchases transactions as these transactions are mainly carried out in Hong Kong dollars. Accordingly, no sensitivity analysis has been prepared.

41. COMMITMENTS

(a) Operating leases commitment

At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Within 1 year	3,392	682
After 1 year but within 5 years	7,787	88
After 5 years	8,711	–
	19,890	770

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(b) Capital commitments

Capital commitments outstanding at 30 June 2008 not provided for in the financial statements of the Group were as follows:

	30 June 2008	**31 March 2007**
	HK$'000	*HK$'000*
Contracted but not provided for:		
Acquisition of equipment	–	5,120
Acquisition of a property	30,217	–
Acquisition of software	1,211	–
Decoration of hotel properties	39,416	–
Design of moulds	–	480
Capital contribution of subsidiaries	51,111	58,968
Investment in joint venture	18,333	–
	140,288	64,568

42. CONTINGENT LIABILITIES

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$550,000 to the plaintiff as at 30 June 2008 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.

43. RELATED PARTY TRANSACTIONS

The following represents a summary of material transactions during the period/year between the Group and related parties identified by the directors:

	Note	Period from 1 April 2007 to 30 June 2008	Year ended 31 March 2007
		HK$'000	*HK$'000*
Operating expenses paid	*(i)*	1,361	180
Consultancy fee paid	*(ii)*	181	72
Debts assigned to directors	*(iii)*	–	448
Loan interest income	*(iv)*	440	–

Directors of the Company have provided personal guarantee for banking facilities to the extent of HK$15,000,000 granted to the Group and the Company.

Note:

(i) The directors, Ms. Wong Yuen Yee, Mr. Wong Yao Wing, Robert, Mr. Lam Shiu San and Mr. Wong Kwok Sing, paid certain operating expenses on behalf of the Group.

(ii) Consultancy fee paid to Digital Bank Technology Limited, where Mr. Lam Shiu San is the common director, for the provision of technical support.

(iii) The net balances of amount due by the related companies have been assigned to the directors, Ms. Wong Yuen Yee and Mr. Wong Kwok Sing.

(iv) Loan interest income from United Premier Medical Group Limited, an associate of the Group.

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business.

Compensation of key management personnel

The remuneration of directors and other members of key management during the period/year was as follows:

	Period from 1 April 2007 to 30 June 2008	Year ended 31 March 2007
	HK$'000	*HK$'000*
Basic salary, allowance and other benefits	13,412	4,157
Recognised retirement pension	162	59
Share-based payments	16,820	–
	30,394	4,216

44. EVENTS AFTER BALANCE SHEET DATE

(a) On 29 August 2008, the Company had completed its placing of 107,704,193 shares from existing shareholders at a price of HK$0.37 per share.

(b) In July 2008, the Group had completed its exchange of shares of its associated company namely, United Premier Medical Group Limited, with shares of a company traded on the Over-The-Counter Bulletin Board of the United States namely, China Health Care Corporation (Formerly known as The Cavalier Group).

III. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2008

Set out below are the unaudited consolidated financial statements of the Group for the three months ended 30 September 2008 which are extracted from the first quarterly report of the Group for the three months ended 30 September 2008.

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 September 2008

		Unaudited Three months ended 30 September	
		2008	**2007**
	Notes	*HK$'000*	*HK$'000*
Turnover	3	27,494	37,454
Cost of sales		(23,824)	(30,344)
Gross profit		3,670	7,110
Other revenue		1,926	3,503
Marketing and promotion expenses		(1,963)	(1,367)
Administrative expenses		(10,456)	(3,657)
Finance costs		(542)	(239)
Share of losses of associates		(1,721)	–
(Loss)/profit before income tax		(9,086)	5,350
Income tax	4	–	(37)
(Loss)/profit for the period		(9,086)	5,313
Attributable to:			
Equity holders of the Company		(9,086)	4,615
Minority Interests		–	698
		(9,086)	5,313
(Loss)/earnings per share			
– Basic	5	(0.72 cent)	0.39 cent
– Diluted		N/A	N/A

Notes:

1. **CHANGE OF YEAR END DATE**

The year end date of the Company was changed from 31 March to 30 June with effect from 28 March 2008. Pursuant to the change, the final audited results and the audited financial statements of the Group for the financial year 2007/08 cover 15 months from 1 April 2007 to 30 June 2008 had been issued on 29 September 2008 in accordance with the requirement under 18.03 of the GEM Listing Rules.

2. **BASIS OF PREPARATION OF THE ACCOUNTS**

The unaudited consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Group has applied the same principal accounting policies and methods of computation in the unaudited consolidated financial statements as are applied in its annual financial statements for the year ended 30 June 2008. The principal accounting policies adopted are disclosed in the Company's 07/08 Annual Report dated 29 September 2008.

These unaudited consolidated financial statements should be read in conjunction with the Company's 07/08 Annual Report.

3. **TURNOVER**

Turnover represents the amounts received and receivable for the design of residential intranet, provision of e-property management software application consulting services and trading of home-automation, provision of hotel services and other products in Hong Kong and the People's Republic of China (the "PRC").

The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Unaudited Three months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
Income from design of residential intranet, provision of home automation services and trading of related products	26,356	37,454
Income from hotel services	1,138	–
	27,494	37,454

4. **TAXATION**

Provision for Hong Kong profits tax is calculated at the rate of 16.5% (2007: 17.5%) of the estimated assessable profits arising in Hong Kong for the period.

5. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to equity holders for the three months ended 30 September 2008 of approximately HK$(9,086,000) (2007: profit of HK$4,615,000) and on the weighted average of 1,268,589,048 (2007: 1,160,174,509) ordinary shares in issue during the period.

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share is not shown as it is not materially different from the basic (loss)/earnings per share.

6. MOVEMENTS OF RESERVES

	Share Capital	Share Premium	Employee Compensation Reserve	Convertible Notes Reserve	Contributed Surplus	Capital Redemption Reserve	Exchange Reserve	Retained Profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2007	22,224	298,193	464	160	5,625	43	(34)	9,855	336,530
Profit for the period	–	–	–	–	–	–	–	5,313	5,313
Issuance of shares	1,379	6,558	(378)	(160)	–	–	–	–	7,399
Share issuance cost	–	(247)	–	–	–	–	–	–	(247)
At 30 September 2007	23,603	304,504	86	–	5,625	43	(34)	15,168	348,995
At 1 July 2008	24,544	342,866	23,220	–	5,625	43	(245)	(60,332)	335,721
Loss for the period	–	–	–	–	–	–	–	(9,086)	(9,086)
Issuance of shares	2,865	43,170	–	–	–	–	–	–	46,035
Share issuance cost	–	(1,548)	–	–	–	–	–	–	(1,548)
Exchange difference on consolidation	–	–	–	–	–	–	75	–	75
At 30 September 2008	27,409	384,488	23,220	–	5,625	43	(170)	(69,418)	371,197

I. ACCOUNTANTS' REPORT OF GREAT CHINA MEDIA

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from Pentagon CPA Limited.

PENTAGON CPA LIMITED · CERTIFIED PUBLIC ACCOUNTANTS ·
百達會計師事務所有限公司

23 January 2009

The Directors
Inno-Tech Holdings Limited
Room 903, 9th Floor,
Tung Wai Commercial Building,
109–111 Gloucester Road,
Wan Chai, Hong Kong

Dear Sirs,

We set out below our report on the financial information relating to Great China Media Holdings Limited 大中華媒體控股有限公司 ("Great China Media") (Formerly known as CHINA OUTDOOR MEDIA HOLDINGS LIMITED 中國戶外媒體控股有限公司) for the period from 16 February 2007 (date of incorporation) to 30 September 2008 (the "Relevant Period") for inclusion in the circular of Inno-Tech Holdings Limited (the "Company") dated 23 January 2009 (the "Circular") in connection with the proposed acquisition of approximately 23% interest in the issued share capital of Great China Media by a wholly owned subsidiary of the Company (the "Acquisition").

Great China Media was incorporated on 16 February 2007 in the British Virgin Islands with limited liability and acts as an investment holding company. Having complied with all the requirements of the BVI Business Act, 2004, in respect of a change of name on 4 December 2008, the name of the Company was changed from CHINA OUTDOOR MEDIA HOLDINGS LIMITED (中國戶外媒體控股有限公司) to Great China Media Holdings Limited (大中華媒體控股有限公司). As at 30 September 2008, Great China Media held 100% equity interest in China Outdoor Media Holdings Limited ("COM") and Full Pace Holdings Limited ("FP"). The principal activity of COM, FP and its subsidiary is the provision of advertising related consulting services in the People's Republic of China.

No audited financial statements of Great China Media have been prepared as Great China Media is not subject to any statutory audit requirements.

For the purpose of this report, the directors of Great China Media have prepared financial statements of Great China Media for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements"). The directors of Great China Media are responsible for preparing the Underlying Financial Statements which give a true and fair view. In preparing these Underlying Financial Statements it is fundamental that appropriate accounting policies are selected and applied consistently. We have performed independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The financial information set out in sections A to B below (the "Financial Information") has been prepared based on the Underlying Financial Statements. We have examined the Financial Information and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of Great China Media are responsible for the Financial Information. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the results and cash flows of Great China Media for the Relevant Period and of its balance sheets as at 30 September 2008.

A. FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

FOR THE PERIOD FROM 16 FEBRUARY 2007
(DATE OF INCORPORATION) TO 30 SEPTEMBER 2008
(Expressed in Hong Kong Dollars)

	Note	**16/2/2007 to 30/9/2008** *HK$*
TURNOVER	3	15,127,889
Direct costs of services		(6,756,396)
GROSS PROFIT		8,371,493
Other revenue	3	85,685
Staff costs		(1,735,916)
Depreciation		(2,202,946)
Other operating expenses		(3,438,512)
PROFIT FROM OPERATIONS		1,079,804
Finance costs	5	(5,464)
PROFIT BEFORE TAXATION	5	1,074,340
TAXATION	7	(461,166)
PROFIT AFTER TAXATION		613,174

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2008
(Expressed in Hong Kong Dollars)

	Note	**2008** *HK$*
NON-CURRENT ASSETS		
Equipment	*8*	12,523,074
Goodwill	*10*	2,696,076
		15,219,150
CURRENT ASSETS		
Accounts receivables	*11*	1,131,639
Amounts due from other	*12*	1,216,909
Deposits and prepayments		324,386
Amount due from a director	*13*	2,340
Cash at bank and in hand		80,828
		2,756,102
CURRENT LIABILITIES		
Accounts payables	*14*	1,613,600
Accrued expenses		171,278
Amounts due to a director	*15*	8,358,234
		10,143,112
NET CURRENT LIABILITIES		7,387,010
TOTAL ASSETS LESS CURRENT LIABILITIES		7,832,140
CAPITAL AND RESERVES		
Share capital	*16*	8,065
Share premium	*16*	6,749,735
Profit for the period		613,174
		7,370,974
NON-CURRENT LIABILITIES		
Deferred tax liabilities	*7*	461,166
		7,832,140

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2008

(Expressed in Hong Kong Dollars)

	Share Captial *HK$*	Share Premium *HK$*	Retained Profits *HK$*	Total *HK$*
Issue of ordinary shares	8,065	6,749,735	–	6,757,800
Profit for the period from 16/2/2007 (date of incorporation) to 30/9/2008	–	–	613,174	613,174
At 30 September 2008	8,065	6,749,735	613,174	7,370,974

CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD FROM 16 FEBRUARY 2007
(DATE OF INCORPORATION) TO 30 SEPTEMBER 2008
(Expressed in Hong Kong Dollars)

	Note	**16/2/2007 to 30/9/2008** *HK$*
Cash flows from operating activities		
Cash generated from operations	*(a)*	10,729,443
Interest received		15,685
Interest paid		(4)
Net cash from operating activities		10,745,124
Cash flows (used in) investing activities		
Payment to acquire fixed assets		(14,726,020)
Payment to acquire a subsidiary		(2,696,076)
Net cash (used in) investing activities		(17,422,096)
Cash flows from financing activities		
Issue of share capital		8,065
Share Premium		6,749,735
Net cash from financing activities		6,757,800
Net increase in cash and cash equivalents		80,828
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents at the end of the period	*(b)*	80,828

NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash generated from operations

	16/2/2007 to 30/9/2008
	HK$
Operating profit	1,074,340
Interest income	(15,685)
Interest paid	4
Depreciation	2,202,946
(Increase) in accounts receivable	(1,131,639)
(Increase) in amounts due from other	(1,216,909)
(Increase) in deposits and prepayments	(324,386)
(Increase) in amount due from a director	(2,340)
Increase in accounts payable	1,613,600
Increase in accrued expenses	171,278
Increase in amounts due to a director	8,358,234
Net cash generated from operations	10,729,443

(b) Analysis of the balances of cash and cash equivalents

	2008
	HK$
Cash at bank and in hand	80,828

B. NOTES TO THE FINANCIAL INFORMATION

(Expressed in Hong Kong Dollars)

1. GENERAL

Great China Media was incorporated on 16 February 2007 in the British Virgin Islands with limited liability under the International Business Companies Act (Cap. 291) of the BVI. Having complied with all the requirements of the BVI Business Act, 2004, in respect of a change of name on 4 December 2008, the name of the Company was changed from CHINA OUTDOOR MEDIA HOLDINGS LIMITED (中國戶外媒體控股有限公司) to Great China Media Holdings Limited (大中華媒體控股有限公司). Great China Media is domiciled in British Virgin Islands with its registered office situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The consolidated financial statements are presented in Hong Kong Dollars, which is the same as the functional currency of the Great China Media.

The principal activities of the Great China Media and its subsidiaries (the "Group") are provision of advertising related consulting services in the People's Republic of China.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

(a) The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements are prepared under the historical cost convention. A summary of the significant policies is set out below.

New HKFRSs issued but not yet effective are not early adopted. The directors of Great China Media anticipate that the application of these new HKFRSs will have no material impact on the Financial information.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Great China Media and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Subsidiaries

A subsidiary is a company, in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis.

Goodwill represents the excess of the cost of investments over the fair value of identifiable net assets of subsidiaries when acquired, less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to cash-generating units and is tested annually. Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) Fixed assets

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of the fixed assets over their estimated useful lives on a straight line basis at 20% per annum.

(e) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Great China Media Group and when the revenue can be measured reliably, on the following bases:

(i) Service income is recognised in the period when services are rendered.

(ii) Interest income, on accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of financial assets.

(f) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non- assessable or disallowable. Hong Kong profits tax is provided at the rate prevailing for the year based on the estimated assessable profit for the year less allowable losses, if any, brought forward.

Deferred taxation is provided using the liability method on all material temporary differences, other than those which are not expected to crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(g) Impairment of assets

At each balance sheet date, tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount from sale in an arm's length transaction; value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets, if that is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment no longer exists or has decreased. The reversal is recorded in the profit and loss account.

(h) Related parties

A party is considered to be related to Great China Media if:

(i) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled by, or is under common control with Great China Media; (2) has an interest in Great China Media that gives it significant influence over Great China Media; or (3) has joint control over Great China Media;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of Great China Media or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of Great China Media, or of any entity that is a related party of Great China Media.

(i) Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leaser are accounted for as operating leases. The rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(j) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Great China Media Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(k) Pension scheme

The Great China Media Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Great China Media Group in an independently administered fund. The Great China Media Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(l) Translation of foreign currencies

Foreign currency transactions during the period are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

3. TURNOVER

Turnover represents the service income from the provision of advertising related consulting services rendered during the Relevant Period.

An analysis of the Great China Media Group's turnover and other revenues for the Relevant Period is as follows:

	16/2/2007 to 30/9/2008 *HK$*
Turnover	
Provision of advertising related consulting services	15,127,889
Other revenues	
Interest income	15,685
Rental income	70,000
	85,685
	15,213,574

4. SEGMENTAL INFORMATION

No business or geographical segment analysis is presented as all operations, assets and liabilities of the Great China Media Group during the Relevant Period are related to the provision of advertising related consulting services and over 90% of the assets and customers are located in the PRC.

5. PROFIT BEFORE TAXATION

	16/2/2007 to 30/9/2008 *HK$*
Profit before taxation is arrived at after charging:–	
Auditors' remuneration	62,000
Depreciation	2,202,946
Exchange losses	863
Operating lease charge on property	406,649
Finance cost	
Bank charge	5,460
Overdraft bank interest	4
	5,464
Staff costs *(excluding directors' remuneration – note 6)*	
Salaries and allowances	1,099,446
Pension Scheme contributions	6,470
	1,105,916

6. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration paid or payable to the directors were as follows:–

	16/2/2007 to 30/9/2008 *HK$*
Fees	–
Other emoluments	630,000

Of the five individuals with highest emoluments, three of them are directors whose emolument is disclosed as above. Details of the remuneration of the two non-directors, highest paid employees are as follows:

	16/2/2007 to 30/9/2008 *HK$*
Salaries and benefits in kind	610,839
Retirement scheme contributions	–

During the Relevant Period, no emoluments were paid by Great China Media to the directors or any of the five highest paid individuals as an inducement to join or upon joining Great China Media or as compensation for loss of office. No directors waived any emoluments during the Relevant Period.

7. TAXATION

(a) The amount of taxation in the income statement represents:

	16/2/2007 to 30/9/2008 *HK$*
Hong Kong profits tax	
– current	–
– deferred	461,166
	461,166

No provision for Hong Kong profits tax has been made as Great China Media sustained a loss for taxation purpose in Hong Kong for the period ended 30 September 2008.

(b) The amount of deferred taxation represents:

	2008	
	Full potential liability	**Provision made**
	HK$	*HK$*
Accelerated depreciation allowances	1,288,773	461,166

8. FIXED ASSETS

	Production Equipment	**Furniture & Fixture**	**Total**
	HK$	*HK$*	*HK$*
Cost:			
Additions	14,650,414	75,606	14,726,020
As at 30 September 2008	14,650,414	75,606	14,726,020
Aggregate Depreciation:			
Charge for the period	2,185,661	17,285	2,202,946
As at 30 September 2008	2,185,661	17,285	2,202,946
Net book value:			
As at 30 September 2008	12,464,753	58,321	12,523,074

9. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries at 30 September 2008 are as follows:–

Name of company	**Place of Incorporation**	**Percentage of Ordinary share held**	**Particulars of issued capital**	**Principal activity**
China Outdoor Media Holdings Limited	Hong Kong	100%	100 shares of HK$1 each	Advertising & Media
Full Pace Holdings Limited	British Virgin Islands	100%	1 share of US$1 each	Investment holding
TDI Transportation Displays International Limited	Hong Kong	100%*	2,500 shares of HK$100 each	Dormant

* *Indirectly held by the Company*

10. GOODWILL

	2008
	HK$
Cost:	
Acquisition of subsidiary *(note 18)*	2,696,076
At end of period	2,696,076

Impairment tests for cash generating units containing goodwill

Goodwill is allocated to the cash-generating unit ("CGU") as follows:

	2008
	HK$
TDI Transportation Displays International Limited	2,696,076
	2,696,076

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12% per annum. Cash flows beyond the five-year period have been extrapolated using a steady 8% per annum growth rate.

11. ACCOUNTS RECEIVABLES

	2008
	HK$
Trade debtors	977,778
Sundry debtors	153,861
	1,131,639

The following is an aged analysis of trade receivables net of impairment losses at the balance sheet date:

	2008
	HK$
< 1 month	–
1 month – 3 months	–
> 3 months	977,778
	977,778

Great China Media allows an average credit period of 3 months to its customers.

12. AMOUNT DUE FROM OTHER

	2008
	HK$
Loan to a trade partner	916,909
Other	300,000
	1,216,909

The amount is unsecured, interest free and has no fixed terms of repayment.

13. AMOUNT DUE FROM A DIRECTOR

Amount due from a director is as follow:–

Name of borrower	**Stephen Duncan Harvey**
Position	Director
Term of the loan	
– Repayment terms	Nil
– Interest rate	Nil
– Security	Nil
Balance of the loan	
– at 30 September 2008	HK$2,340
Maximum balance outstanding during the period	HK$2,340

14. ACCOUNTS PAYABLE

	2008
	HK$
Trade payables	1,067,047
Other payables	546,553
	1,613,600

The following is an aged analysis of trade payables at the balance sheet date:

	2008
	HK$
< 1 month	–
1 month – 3 months	125,973
> 3 months	941,074
	1,067,047

The average credit period on purchases of is 3 months.

15. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest free and has no fixed terms of repayment.

16. SHARE CAPITAL

	2008
	HK$
Authorised:	
50,000 ordinary shares of US$1 each	390,000
Issued and fully paid:	
1,034 ordinary shares of US$1 each	8,065

On 16 February 2007 the Great China Media issued 1,000 ordinary shares of US$1 each at par for cash fully paid totalling US$1,000 to provide additional working capital.

On 11 April 2007 the Great China Media issued 4 ordinary shares of US$1 each at a premium of HK$49,992 per share for cash fully paid totalling HK$200,000 to provide additional working capital.

On 19 April 2007 the Great China Media issued 20 ordinary shares of US$1 each at a premium of HK$149,992 per share for cash fully paid totalling HK$3,000,000 to provide additional working capital.

On 28 May 2007 the Great China Media issued 10 ordinary shares of US$1 each at a premium of HK$354,992 per share for cash fully paid totalling HK$3,550,000 to provide additional working capital.

17. RELATED PARTIES TRANSACTIONS

During the Relevant Period, the Great China Media Group received rental in an aggregate amount of HK$70,000 from related companies. The rental was mutually agreed between the Great China Media Group and the related companies.

18. ACQUISITION OF A SUBSIDIARY

On 16 June 2008, the FP (a subsidiary of the Great China Media) acquired 100% of the issued share capital of TDI Transportation Displays International Limited for consideration of HK$2,697,010 (including professional fee of HK$197,010). The amount of goodwill arising as a result of the acquisition was HK$2,696,076.

The net assets acquired in the transaction and the goodwill arising are as follows:

	HK$
Net assets acquired:	
Bank balances and cash	934
Goodwill *(note 10)*	2,696,076
	2,697,010
Total consideration satisfied by:	
Cash paid as consideration	2,500,000
Cash paid for professional fee	197,010
	2,697,010
Net cash outflow arising on acquisition:	
Cash consideration paid	(2,697,010)
Bank balances and cash acquired	934
	(2,696,076)

Goodwill arose in the business combination because the cost of combination included amounts in relation to the benefit of customer lists and customer relationships acquired, reputation in the industry and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

19. OPERATING LEASE COMMITMENT

At 30 September 2008, the Great China Media Group had total outstanding commitment under non-cancellable operating lease, which are payable as follows:–

	2008
	HK$
Within 1 year	258,480
After 1 year but within 5 years	–
	258,480

20. CONTINGENT LIABILITIES AND COMMITMENTS

Great China Media had no material contingent liabilities and commitments as at 30 September 2008.

21. FINANCIAL RISKS AND MANAGEMENT

Great China Media's overall risk management programme seeks to minimise potential adverse effects on the financial performance.

(i) Interest rate risk

Great China Media has no significant interest-bearing assets or liabilities. Great China Media's income and cash flows are substantially independent of changes in market interest rates.

(ii) Foreign currency risk

A subsidiary of Great China Media have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group actively monitor the currency exposures of material transactions and will use foreign exchange forward contracts to eliminate the currency exposures on those transactions if applicable.

(iii) Credit risk

Great China Media has no concentration of credit risk.

(iv) Liquidity risk

Great China Media manages the availability of funding so as to ensure that its funding needs are met. Source of funding is mainly from shareholders' capital contribution and loan from a director.

22. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Great China Media in respect of any period subsequent to 30 September 2008.

Yours faithfully,

Pentagon C P A Limited
Certified Public Accountants
Petrus, Poon Wai Yip
Practising Certificate Number : P04180

II. MANAGEMENT'S DISCUSSION AND ANALYSIS

To assist the Independent Shareholders in their analysis of the financial aspects of the Acquisition, the Company provides the following discussion and analysis of the financial condition and results of operations based on the financial information included in the preceding section of this Appendix and, as such, the following should be read in conjunction therewith. This section was prepared by the management of Great China Media. Although due care and attention has been used by the Company to ensure that the information contained in this section is accurate, the Company has not independently verified such information and cannot guarantee the accuracy and completeness of such information.

Results for the period from 16 February 2007 to 30 September 2008

Turnover

The Target Group principally engages in the provision of event management and advertising related consultation services. For the period from 16 February 2007 to 30 September 2008 (the "**Reported Period**"), the Target Group recorded revenue of HK$15,127,889; with profit before and after taxation of HK$1,074,340 and HK$613,174 respectively. Revenue of the Target Group during the Reported Period was mainly derived from China Outdoor Media Holdings Limited, its sole operating subsidiary.

Cost of operations

Direct cost of services for the Reported Period was about HK$6,756,396. Operating expenses (inclusive of staff costs and depreciation) of about HK$7,377,374 was recorded for the Reported Period.

Property, plant and equipment

Property, plant and equipment amounted to about HK$12,523,074 essentially represented production equipment of approximately HK$12,464,753, furniture and fixtures of approximately HK$58,321.

Liquidity and capital resources

As at 30 September 2008, the Target Group's current ratio is 27.17%, with current assets of about HK$2,756,102 against current liabilities of about HK$10,143,112 (which essentially represented cash at bank and in hand in aggregate of about HK$80,828). The Target Group did not have any bank borrowing, but had current liabilities of about HK$8,358,234, being outstanding loan in Hong Kong dollars (which is unsecured, interest free and with no fixed term of repayment) due to Mr. Wong Kwok Sing, a director of Great China Media. The gearing ratio (computed as total liabilities/total assets) of the Target Group as at 30 September 2008 was about 58.99% with total liabilities of about HK$10,604,278 and total assets of HK$17,975,252. It is expected that the Target Group will continue to rely on its internal resources to fund its operations in the near future.

Contingent liabilities

The Target Group did not have any contingent liabilities as at 30 September 2008.

Material acquisitions and disposal of subsidiaries

On 16 June 2008, a subsidiary of the Great China Media acquired 100% of the issued share capital of TDI Transportation Displays International Limited ("TDI") for consideration of HK$2,697,010 (including professional fee of HK$197,010). The amount of goodwill arising as a result of the acquisition was HK$2,696,076. TDI's core business is the marketing of advertising space in Hong Kong and PRC. The acquisition of TDI provides the Target Group with an additional source of income stream.

Subsequent to the Reported Period, TDI agreed to acquire the entire equity interests in Tai Di Ya, which is engaged in provision of outdoor media advertising services, mainly in the Guangdong Province of the PRC, in November 2008. Completion of the acquisition is still pending the approval of the relevant authorities in the PRC.

Employees and remuneration policies

Staff cost during the Reported Period amounted to HK$1,735,916. As at 30 September 2008, the Target group employed full time work force of 8. Employees were remunerated according to their education background, qualification, job nature and market condition.

Exposure to fluctuation in exchange rate

A subsidiary of Great China Media has foreign currency sales and purchases, which expose the Target Group to foreign currency risk. The Target Group actively monitors the currency exposures of material transactions and will use foreign exchange forward contracts to eliminate the currency exposures on those transactions, if applicable.

Future plans

The business focus of the Target Group are in two main areas, including (i) outdoor and transportation advertising and (ii) event management. For the outdoor and transportation advertising of the Target Group, a network of billboards and stratosphere displays will be developed, strategic alliance with selected corporates/state owned enterprises will be formed. Advertisements will be displayed in railway stations and trains. For the event management business of the Target Group, large scale sporting, cultural, musical events exhibitions and tradeshows will be hosted to attract customers by leveraging on the innovative and premium products of the stratosphere.

Following completion of TDI's acquisition of Tai Di Ya, TDI and Tai Di Ya will be developed as the operating arm engaging in the provision of the outdoor media advertising service with the primary focus in the PRC market of the Target Group; while China Outdoor Media Holdings Limited will focus on event management and advertising consultation services.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from PCP CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Group.

PCP CPA Limited
華德匡成會計師事務所有限公司

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510 King's Road, North Point, Hong Kong
Telephone: (852) 2882 8378
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香港北角英皇道510號港運大廈22樓5至6室
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傳真：(852) 3009 8534

23 January 2009

The Directors
Inno-Tech Holdings Limited
Room 903
Tung Wai Commercial Building
109 – 111 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES TO THE DIRECTORS OF INNO-TECH HOLDINGS LIMITED

We report on the unaudited pro forma statement of assets and liabilities (the "unaudited Pro Forma Financial Information") of Inno-Tech Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Great China Media Holdings Limited ("Great China Media") (together with the Group hereinafter referred to as the "Enlarged Group") which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed acquisition of 23.02% of the issued share capital of Great China Media (the "Proposed Acquisition"), might have affected the financial information presented for inclusion as Appendix III of the circular of the Company dated 23 January 2009 (the "Circular"). The basis of preparation for the unaudited Pro Forma Financial Information is set out on pages III-3 to III-5 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 30 June 2008 or any future date.

OPINION

In our opinion:

- the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

PCP CPA Limited
Certified Public Accountants
Hong Kong

Chua Suk Lin, Ivy
Practising Certificate No.: P02044

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is a summary of the unaudited pro forma statement of assets and liabilities of the Enlarged Group, which has been prepared on the basis of the notes set out below and assuming that the Proposed Acquisition had been completed as at 30 June 2008 for the purpose of illustrating how the Proposed Acquisition might have affected the financial position of the Group at that date.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group prepared is based on the audited consolidated balance sheet of the Group as at 30 June 2008, extracted from the published annual report of the Group for the period ended 30 June 2008 and the audited balance sheet of Great China Media as at 30 September 2008 as extracted from the Accountants' Report set out in Appendix II, after making appropriate pro forma adjustments that are considered necessary as if the Proposed Acquisition had been completed on 30 June 2008.

The unaudited pro forma statement of assets and liabilities is based on a number of assumptions, estimates and uncertainties. The accompanying unaudited pro forma statement of assets and liabilities does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Proposed Acquisition been completed on 30 June 2008. The unaudited pro forma statement of assets and liabilities does not purport to predict the future financial position of the Enlarged Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group should be read in conjunction with the Accountants' Report on Great China Media as set out in Appendix II to this circular, the historical financial information on the Group as set out in Appendix I to this circular and other financial information included elsewhere in this circular.

	The Group as at 30 June 2008 *HK$'000* (Audited)	Pro forma adjustments *HK$'000*	*Notes*	Pro forma Enlarged Group *HK$'000*
Non-current assets				
Property, plant and equipment	24,285	–		24,285
Prepaid lease payments	34,319	–		34,319
Intangible assets	79,355	–		79,355
Goodwill	60,643	–		60,643
Interest in associates	2,353	44,484	*1(i)*	46,837
Loans to an associate	6,273	–		6,273
	207,228	44,484		251,712
Current assets				
Trading securities – pledged	1,024	–		1,024
Derivative financial instruments – pledged	170	–		170
Inventories	1,175	–		1,175
Accounts receivable	85,162	–		85,162
Prepayments, deposits and other receivables	82,989	–		82,989
Loans to an associate	6,440	–		6,440
Tax recoverable	317	–		317
Pledged deposits	13,000	–		13,000
Cash and cash equivalents	37,305	–		37,305
	227,582	–		227,582
Current liabilities				
Bank loans and overdrafts	14,837	–		14,837
Trade payables, accrued expenses and other payables	20,904	1,100	*2*	22,004
Amounts due to directors	55,559	–		55,559
	91,300	1,100		92,400
Net current assets	136,282	(1,100)		135,182
Non-current liabilities				
Deferred taxation	7,789	–		7,789
Convertible notes	–	30,725	*1(ii)*	30,725
	7,789	30,725		38,514
Net assets	335,721	12,659		348,380

Notes to the unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group

(1) On 10 December 2008, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with the vendor to acquire 23.02% of the issued share capital of Great China Media at a consideration of HK$43,384,000. The consideration will be satisfied by the issue of convertible note by the Company to the vendor in the principal amount of HK$43,384,000 (the "Convertible Note") on completion.

Upon completion of the Proposed Acquisition, Great China Media is considered by the directors of the Company as an associate of the Group as the Group will exercise significant influence in the financing and operating activities of Great China Media.

(i) The unaudited pro forma adjustment of HK$44,484,000 represents the total consideration of acquisition of 23.02% of the issued share capital of Great China Media as follows:

	HK$'000
Consideration for the Proposed Acquisition	43,384
Professional fee in relation to the Proposed Acquisition	1,100
	44,484

Details on goodwill arising from the Proposed Acquisition are as follows:

	HK$'000
Consideration for the Proposed Acquisition	43,384
Less: share of net identifiable assets of Great China Media	(1,697)
	41,687
Add: professional fee in relation to the Proposed Acquisition	1,100
	42,787

On completion, the fair value of the attributable share of the identifiable assets, liabilities and contingent liabilities of Great China Media will have to be reassessed. As a result of the reassessment, the amount of goodwill may be different from the amount estimated based on the basis stated above for the purpose of preparation of the unaudited pro forma statement of assets and liabilities. Accordingly, the actual goodwill arising from the Proposed Acquisition may be different from the estimated amount as shown above.

(ii) The Convertible Note of the Company with a principal amount of HK$43,384,000 has a maturity period of 2 years and not bearing any interest. For the purposes of preparing the unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group, the Convertible Note in sum of HK$43,384,000 has been taken to be its fair value as if it was issued on 30 June 2008. The unaudited pro forma adjustment of HK$30,725,000 represent the liability component of the Convertible Note which is determined using discounted cash flow method at an effective interest rate of 18.83%. The difference between the gross proceeds of the issuance of the Convertible Note and the value of the liability component is assigned as the equity component.

(2) The unaudited pro forma adjustment of approximately HK$1.1 million represents estimated professional fee in relation to the Proposed Acquisition.

A. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 November 2008, the Enlarged Group had outstanding borrowings of approximately HK$35,832,000. The outstanding borrowings comprised secured bank borrowings of approximately HK$33,580,000 and unsecured borrowings of approximately HK$2,252,000. The unsecured borrowings represented amount due to directors.

Securities and guarantees

As at the close of business on 30 November 2008, the Enlarged Group had pledged its prepaid lease payments and buildings with net book value of approximately HK$39,255,000 and fixed deposits of approximately HK$10,000,000 to secure the general banking facilities granted in the amount of approximately HK$33,667,000 to the Enlarged Group.

As at the close of business on 30 November 2008, the Enlarged Group provided unlimited corporate guarantees to banks in respect of general banking facilities with an aggregate amount of approximately HK$33,667,000 granted to intra-group companies.

Disclaimer

Save as aforesaid and apart form intra-group liabilities, at the close of business on 30 November 2008, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 30 November 2008 and up to the Latest Practicable Date.

B. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group including the internally generated funds, the present bank and other facilities, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular.

C. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2008, being the date to which the latest audited financial statements of the Group were made up, save as disclosed in the quarterly report for the three months ended 30 September 2008 of the Company .

D. FINANCIAL AND TRADING PROSPECTS

During the 15 months ended 30 June 2008, the domestic sale of iPanel and Apbus products and the provision of intranet design for residential communities remained the core business of the Group. As stated in the annual report of the Company for the 15 months ended 30 June 2008, it is the dual corporate strategy of the Group to strengthen its existing business and at the same time seeking opportunities to expand into other industries, such as health care industry, economy hotel industry as well as advertising industry utilizing its electronic software solutions as a platform.

Growth rate of sales of iPanel and Apbus products in the past is not expected to sustain due to the overall contraction in the residential market.

The Group has been expanding into the economy hotel industry. It has entered into joint venture agreements with various strategic business partners in economy hotel operation and management business and entered into various management contracts in relation to the management of nine hotels located in various provinces in the PRC. To further strengthen the Group's long term development in the economy hotel industry, the Group acquired two hotel properties in PRC and developed its own hotel brand "YES". The Group's progress in the hotel business section is in line with the Group's corporate strategy and it expects this sector to offer tremendous growth opportunities.

The Group's health care business in the PRC through the investment in the United Premier Medical Group Limited ("**UPMG**") has also taken a momentous step forward. Following the share exchange with China Health Care Corporation, formerly known as The Cavalier Group ("**CHCC**"), completed in July 2008, UPMG has been operating under the name of CHCC and whose shares are quoted on the OTC Bulletin Board of the United States. The Directors are of the view that this provides a more diverse funding base for UPMG's future business and the value of the Group's investment in UPMG would be enhanced.

The Acquisition represents a move to implement the Group's business plan as stated above and in the meantime brings synergies to the Group and increases Shareholders' return. Looking forward, the Directors believe the recent economic sluggish could present opportunities for the Group's long term investments which enhance the Group's further expansion into different business sectors in the PRC.

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

(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 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	Family Interests	Corporate Interests	Aggregate Interests	Percentage of the Company's issued share capital
Ms. Wong Yuen Yee *(Note 1)*	144,030,597	–	97,362,000	241,392,597	15.40%
Mr. Wong Kwok Sing *(Note 1)*	7,678,500	–	97,362,000	105,040,500	6.70%
Mr. Wong Yao Wing, Robert *(Note 1)*	140,720,596	–	97,362,000	238,082,596	15.19%
Mr. Lam Shiu San *(Note 1)*	6,018,500	–	97,362,000	103,380,500	6.60%
Mr. Cheng King Hung *(Note 2)*	200,000	500,000	–	700,000	0.04%

Notes:

1. 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.

2. Mr. Cheng King Hung is deemed to have interest in 700,000 Shares, of which 200,000 Shares are held by him and his wife jointly and 500,000 Shares are held by his wife.

(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) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV 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.

(b) Substantial Shareholders' interests

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 directly or indirectly, to be interested in 10% 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:

(i) Interests in the Company:

Name	Capacity and nature of interest	Shares/equity derivatives	Number/amount of Shares/equity derivates held	Percentage of the Company's issued share capital as at the Latest Practicable Date
Chan Chee Lok Kenneth	Beneficial owner	Shares	106,500,000	6.79%
Multiturn Trading Limited	Corporate *(Note 1)*	Shares	97,362,000	6.21%

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 and directors of Multiturn Trading Limited.

(ii) Interests in other members of the Group:

Name of member of the Group	Name of shareholders	Interest as at the Latest Practicable Date
Autoscale Resources Limited	Wong Yao Sing, Herbert	34%

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 directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

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.

COMPETING INTEREST

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or the management shareholders of the Company 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.

EXPERTS AND CONSENT

The qualification of each of the experts who has given opinion in this circular is as follows:

Name	Qualification
Veda Capital	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity
PCP CPA Limited	Certified Public Accountants
Pentagon CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and has no direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2008, being the date to which the latest published audited accounts of the Company were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which they respectively appear.

INTERESTS IN ASSETS

Save for the Sale and Purchase Agreement in which Ms. Wong Yuen Yee and Mr. Wong Kwok Sing, both are executive Directors, have interest as disclosed in this circular, and the agreement entered into among the Company, Ms. Wong Yuan Yee and Mr. Wong Yao Wing, Robert as referred to in item (16) under the paragraph headed "Material Contracts" in this Appendix, as at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2008, being the date to which the latest published audited accounts of the Company were made up.

INTERESTS IN CONTRACT OR ARRANGEMENT

Save for the Sale and Purchase Agreement in which Ms. Wong Yuen Yee and Mr. Wong Yao Wing, Robert, both are executive Directors, have interest as disclosed in this circular, as at the Latest Practicable Date, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.

LITIGATION

The Company and one of its subsidiaries are defendants in a legal action involving the alleged default in one of the installment payments of purchase price to the plaintiff from which the said subsidiary of the Company acquired certain intellectual property rights in 2004.

The plaintiff claimed HK$2,550,000, being the remaining balances of the consideration payable to the plaintiff in full together with interest thereon and cost in June 2006. The defendants settled the disputed installment payment as well as the subsequent instalment payments of consideration. As at the Latest Practicable Date, the remaining balances of consideration of payable to the plaintiff amounted to HK$50,000. As such sum has been fully provided in the Group's financial statements, it is expected that no further provision will be required and no material impact will be caused to the trading and financial condition of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

MISCELLANEOUS

(1) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(2) 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.

(3) 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.

(4) The compliance officer of the Company is Mr. Wong Yao Wing, Robert.

(5) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

AUDIT COMMITTEE

The Company's audit committee comprises of three members, namely Mr. Wong Tak Leung, Charles ("Mr. Wong"), Mr. Cheng King Hung ("Mr. Cheng") and Mr. Lai Ying Sum ("Mr. Lai"), 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 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 and a non-executive director of Soundwill Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange. 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. 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.

Mr. Lai is the proprietor of Sam Lai & Co., a CPA firm in Central. Mr. Lai was admitted respectively as member and fellow member of the Association of Chartered Certified Accountants in 1994 and 1999. He has over 15 years of experience in auditing and advising 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 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.

Save as disclosed above, 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 provide non-audit services.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

(1) the sale and purchase agreement entered into between the Company and Ms. Wong Yuen Yee and Mr. Wong Yao Wing, Robert ("Wong's Vendors") on 5 March 2007, pursuant to which the Company agreed to acquire an interest of 56% in the issued share capital of Autoscale Resources Limited ("Autoscale"), for a consideration of HK$58,968,000 to be settled by the Company's allotment and issue an aggregate of 351,000,000 Shares to Wong's Vendors credited as fully paid, at the issue price of HK$0.168 each;

(2) the placing agreement entered into between the Company and President Securities (Hong Kong) Limited (the "First Placing Agent") on 5 March 2007, pursuant to which the Company agreed to place, through the First Placing Agent, on a best effort basis, an aggregate of 100,000,000 Shares at the placing price of HK$0.168 per placing share;

(3) the joint venture agreement entered into between Inno Investment Holdings Limited ("Inno Investment"), a wholly-owned subsidiary of the Company, and China Railway Investments Group (Hong Kong) Limited on 26 April 2007 together with the supplemental agreement thereof entered into between the same parties on 1 May 2007 for the formation of Inno Hotel Management Limited ("BVI JV"), with 70% interest to be held by Inno Investment, and a sino-foreign cooperative joint venture to be established for engagement in the management and operation of hotels in the PRC in the form of leasing, sub-contracting, acquisition of assets or equity interests and lease-and-sale ("PRC JV"), with majority of the equity interest to be held by BVI JV, pursuant to which the Company agreed to contribute HK$5,000,000 to the registered capital of the PRC JV;

(4) the placing agreement entered into between the Company, the First Placing Agent and Wong's Vendors on 11 May 2007, pursuant to which Wong's Vendors agreed to sell an aggregate of up to 184,884,900 placing Shares through the First Placing Agent, on a best effort basis, at a price of HK$1.10 per placing Share;

(5) the subscription agreement entered into between the Company and Wong's Vendors on 11 May 2007, pursuant to which Wong's Vendors agreed to subscribe for an aggregate of up to 184,884,900 Shares at a subscription price of HK$1.10 per Share;

(6) the cooperation agreement entered into between Inno Investment and China Railway Development & Investment Limited on 29 May 2007 for cooperation in the investment, acquisition and management of hostels and hotels in the PRC for a term of 50 years;

(7) the joint venture agreement entered into between the Company and Swiss-Belhotel International Limited on 10 October 2007 for the incorporation of a company in the British Virgin Islands for engagement in the management and operation of economy hotels in the PRC ("Swiss JV"), with 70% of the issued share capital to be held by the Group, pursuant to which the Company agreed to make initial capital contribution of HK$3 million and total investment of HK$10 million to the Swiss JV on a pro rata basis;

(8) the sale and purchase agreement entered into between Inno Hotel Investment & Management Holdings Limited ("Inno Hotel"), a wholly owned subsidiary of the Company, and Smart Boom Development Limited ("Smart Boom") on 5 November 2007, pursuant to which Inno Hotel acquired the entire issued share capital of Sunny Team Corporation Limited for a consideration of RMB13.5 million and the entire issued share capital of China Earn Limited for a consideration of RMB14 million;

(9) the share exchange agreement entered into among Autoscale, a 56% owned subsidiary of the Company, United Premier Medical Group Limited ("UPMG"), The Cavalier Group ("Cavalier") and other parties on 21 January 2008, pursuant to which Autoscale agreed to dispose of 6,000 shares in UPMG (representing approximately 35.57% in UPMG) to Cavalier in consideration for its issue and allotment of 12,000,000 shares to Autoscale;

(10) the sale and purchase agreement entered into between Inno Hotel and Smart Boom on 4 February 2008, pursuant to which Inno Hotel agreed to acquire of the entire issued share capital of Homesmart Properties Limited for a consideration of RMB20 million;

(11) the joint venture agreement entered into between Inno-Hotel Investment Holdings Limited ("Inno-Hotel Holdings") and 浙江彩江和祥集團(Zhe Jiang Harmony Group) (the "JV Partner") on 20 May 2008, pursuant to which Inno-Hotel Holdings and the JV Partner formed a joint venture company for engagement in the management and operation of economy hotels in the PRC (with 51% interest to be held by Inno-Hotel Holdings) and Inno-Hotel Holdings agreed to make capital contribution of RMB10.2 million to the joint venture company;

(12) the placing agreement entered into between the Company, the First Placing Agent and Ms. Wong Yuen Yee on 11 June 2008, pursuant to which Ms. Wong Yuen Yee agreed to sell through the First Placing Agent, on a best effort basis, an aggregate of up to 70,000,000 Shares at a placing price of HK$0.37 per placing Share;

(13) the placing agreement entered into between the Company, Emperor Securities Limited (the Second Placing Agent") and Mr. Wong Yao Wing, Robert on 11 June 2008, pursuant to which Mr. Wong Yao Wing, Robert agreed to sell through the Second Placing Agent, on a best effort basis, an aggregate of up to 110,000,000 placing Shares at a price of HK$0.37 per placing Share;

(14) the subscription agreement entered into between the Company, Wong's Vendors on 11 June 2008, pursuant to which Wong's Vendors agreed to subscribe for an aggregate of up to 180,000,000 Shares at a subscription price of HK$0.37 per Share;

(15) the placing agreement entered into between the Company and the First Placing Agent on 11 June 2008 pursuant to which the Company conditionally agreed to place, through the First Placing Agent on a best effort basis, up to 55,660,000 new Shares at the placing price of HK$0.37 per new Share (the "New Shares Placing Agreement");

(16) the subscription agreement entered into between the Company and Wong's Vendors on 15 July 2008, pursuant to which Wong's Vendors agreed to subscribe for an aggregate of up to 107,704,193 new Share at a subscription price of HK$0.37 per new Share;

(17) the termination agreement entered into between the Company and the First Placing Agent on 15 July 2008 pursuant to which the New Shares Placing Agreement was terminated;

(18) the placing agreement entered into between the Company and the First Placing Agent on 29 October 2008 pursuant to which the Company conditionally agreed to place, through the First Placing Agent, on a best effort basis, up to 100,000,000 new Shares at the placing price of HK$0.087 per new Share;

(19) the subscription agreement entered into between the Company and the City Beat Holdings Limited ("City Beat") on 29 October 2008, pursuant to which City Beat agreed to subscribe for 135,000,000 Shares at the subscription price of HK$0.087 per new Share; and

(20) the Sale and Purchase Agreement.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. at the head office and principal place of business in Hong Kong at Room 903, Tung Wai Commercial Building, 109–111 Gloucester Road, Wanchai, Hong Kong up to and including 6 February 2009:

(1) the memorandum of association and bye-laws of the Company;

(2) the annual reports of the Company for the year ended 31 March 2007 and the 15 months ended 30 June 2008;

(3) material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(4) a letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 16 of this circular;

(5) the letter from Veda Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 34 of this circular;

(6) the accountants' report on Great China Media, the text of which is set out in Appendix II to this circular;

(7) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(8) the written consent from each of the experts referred to in the paragraph headed "Experts and Consent" in this appendix; and

(9) The circular of the Company dated 6 August 2008 relating to the subscription of an aggregate of 107,704,193 new Shares by Wong's Vendors pursuant to the subscription agreement entered into between the Company and Wong's Vendors on 15 July 2008.

INNO-TECH HOLDINGS LIMITED
匯創控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8202)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Inno-Tech Holdings Limited (the "**Company**") will be held at Room 903, Tung Wai Commercial Building, 109–111 Gloucester Road, Wanchai, Hong Kong on Monday, 16 February 2009 at 11:30 a.m., for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT:**

(a) the agreement (the "**Agreement**") dated 10 December 2008 entered into between Shiny Step Investments Limited (the "**Purchaser**") and Capital Base Holdings Limited (the "**Vendor**") whereby the Purchaser agreed to purchase from the Vendor 238 shares of US1.00 each in the issued share capital of Great China Media Holdings Limited at HK$43,384,000, to be satisfied by the issue of a redeemable convertible note of the Company with the principal amount of HK$43,384,000 carrying rights to convert the outstanding principal amount into shares of HK$0.02 each of the Company ("**Share(s)**") at the initial conversion price of HK$0.0638 per Share subject to the terms and conditions thereof (the "**Note**") (a copy of which has been produced to the special general meeting and signed by the Chairman of the meeting for the purpose of identification), be and is hereby confirmed, approved and ratified and the directors of the Company be and are hereby authorised to issue the Note and to issue and allot shares of the Company upon exercise of the conversion rights under the Note; and

(b) any one director of the Company be and is hereby authorised to implement and to take all steps and do any and all acts and things, to sign and execute all such further documents for and on behalf of the Company under hand or under seal, as may be necessary or desirable to give effect to the Agreement

* *for identification purposes only*

and the Note and any other documents or matters incidental thereto and/or as contemplated thereunder."

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

Hong Kong, 23 January 2009

Head Office and Principal Place of Business in Hong Kong:
Room 903
Tung Wai Commercial Building
109–111 Gloucester Road
Wanchai
Hong Kong

Notes:

(1) Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the Company's Bye-laws. A proxy need not be a shareholder of the Company. A form of proxy for use at the meeting is enclosed herewith.

(2) Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or poll concerned if he so wishes. In the event of a member who has lodged a form of proxy attending the meeting, his form of proxy will be deemed to have been revoked.

(3) Where there are joint registered holders of any shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders is present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such shares shall alone be entitled to vote in respect thereof.

(4) To be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806–07, 18th Floor, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong at least 48 hours before the time appointed for holding the meeting or any adjournment thereof as the case may be and in default thereof the form of proxy and such power or authority shall not be treated as valid.