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

(incorporated in Bermuda with limited liability)

(Stock Code: 8202)

MAJOR TRANSACTION
ACQUISITION OF 19% ISSUED SHARE CAPITAL
OF CHINA NEW MEDIA (HK) COMPANY LIMITED

THE ACQUISITION

On 18 February 2011 after trading hours, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire from the Vendor 19% of the total issued share capital of the Target at a consideration of HK\$78 million, which is to be satisfied as to HK\$39 million in cash and the remaining HK\$39 million by the issue of the Convertible Bonds by the Company to the Vendor upon Completion.

Completion of the Acquisition is subject to fulfillment or waiver of certain conditions precedent as set out in the section headed “Conditions precedent” below.

GEM LISTING RULES’ IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 19.06 of the GEM Listing Rules, which is subject to the reporting, announcement and shareholders’ approval requirements under the GEM Listing Rules.

* For identification purpose only

GENERAL

A circular containing, among other things, details of the Acquisition and a notice to convene the SGM will be despatched to the Shareholders on or before 31 March 2011 as additional time is required to prepare the accountant's report on the Target.

Reference is made to the announcement of the Company dated 27 January 2011 regarding a non-legally binding memorandum of understanding entered into between the Vendor and the Company for the proposed acquisition of 49% equity interest in the Target. The Board is pleased to announce that on 18 February 2011 after trading hours, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire from the Vendor 19% of the total issued share capital of the Target at a consideration of HK\$78 million. Details of which are set out below.

THE AGREEMENT

Date: 18 February 2011

Parties:

1. Win Today Limited as vendor
2. Superior Luck Investments Limited as purchaser

To the best of the Directors' information and belief after making reasonable enquiries, the Vendor and its ultimate beneficial owner are Independent Third Parties. The principal activity of the Vendor is investment holdings.

Assets to be acquired

Under the Agreement, the Purchaser has conditionally agreed to acquire from the Vendor the Sale Shares, representing 19% of the total issued share capital of the Target.

Consideration

The consideration for the Acquisition is HK\$78 million, which is to be satisfied by the Purchaser in the following manner :

- (a) as to HK\$20 million in cash being refundable deposit to be paid upon signing of the Agreement;
- (b) as to HK\$19 million in cash to be paid upon completion of the Acquisition; and

- (c) the remaining HK\$39 million to be satisfied by the issue of the Convertible Bonds by the Company to the Vendor upon completion of the Acquisition.

The cash portion of the Consideration will be funded by internal resources of the Company. The consideration for the Acquisition was arrived at based on normal commercial terms after arm's length negotiations between the Company and the Vendor. The Board has made reference to the preliminary valuation on the Target prepared by an independent professional valuer, according to which the market value of 100% of the Target was HK\$412,000,000 as at 31 December 2010 and the consideration for the Acquisition of HK\$78 million represents a slight discount to the value of HK\$78.28 million, being 19% of the Target's value based on the said valuation. Details of the valuation report will be set out in the circular to be despatched to the Shareholders. In view of the consideration for the Acquisition being close to the said valuation, the Directors (including independent non-executive Directors) consider the terms (including the consideration for the Acquisition) for the Acquisition is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The completion of the Agreement is subject to the following conditions precedent:

- (a) the Purchaser being reasonably satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Target;
- (b) all necessary consents and approvals required to be obtained on the part of the Vendor, the Purchaser and the Company in respect of the Agreement and the transactions contemplated thereby having been obtained;
- (c) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the Agreement and the transactions contemplated thereby;
- (d) the passing by the Shareholders at the SGM to approve the Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds to the Vendor;
- (e) the warranties by the Vendor set out in the Agreement remaining true and accurate in all respects; and
- (f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares.

If the above conditions are not satisfied (or as the case may be, waived by the Purchaser in respect of (a) and (e) only) on or before 5:00 p.m. on 30 June 2011, or such later date as the Vendor and the Purchaser may agree, the Agreement shall cease and determine and the Vendor shall forthwith return to the Purchaser all moneys paid under this Agreement (without interest or compensation) and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. The Directors currently have no intention of waiving any of the conditions precedent.

COMPLETION

Completion of the Agreement will take place on the 3rd business day after all the conditions precedent of the Agreement have been fulfilled or waived (as the case may be) or such other date as the Vendor and the Purchaser may agree.

Principal terms of the Convertible Bonds

Principal amount

HK\$39,000,000.00

Maturity

On the date falling on the expiry of 18 months from the date of issue of the Convertible Bonds.

Conversion price

The initial conversion price will be based on the average closing price per Share as quoted on the Stock Exchange for the last 5 full trading days of the Shares immediately before the date of completion of the Acquisition, subject to the maximum price of HK\$0.18 per Conversion Share and the minimum price of HK\$0.03 per Conversion Share. The initial conversion price shall be subject to the usual provisions for adjustments arising from events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue, issue of new shares or convertible securities at more than 80% discount to the market price.

The initial conversion price was determined after arm's length negotiations between the Company and the Vendor with reference to the recent market price of the Share. The Directors consider that the conversion price of the Convertible Bonds based on the average closing price of the Shares at completion is fair and reasonable.

Interest

If the initial conversion price shall be less than HK\$0.06 per Conversion Share, the Convertible Bonds shall not bear any interest.

If the initial conversion price shall be equal to or more than HK\$0.06 per Conversion Share but less than HK\$0.12 per Conversion Share, the Convertible Bonds shall bear interest at the rate of 3% per annum payable annually.

If the initial conversion price shall be equal to or more than HK\$0.12 per Conversion Share, the Convertible Bonds shall bear interest at the rate of 6% per annum payable annually.

Conversion

Provided that any conversion of the Convertible Bonds (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds and parties acting in concert with it (as defined under the Takeovers Code) and (ii) does not result in the Company's non-compliance with the minimum public shareholding requirement under Rule 11.23 or other similar provisions of the GEM Listing Rules, each holder of the Convertible Bonds has the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK\$100,000 or integral multiples thereof) on any business day after the date of issuance of the Convertible Bonds up to the maturity date.

Assuming full conversion of the Convertible Bonds at the minimum conversion price of HK\$0.03 per Conversion Share, an aggregate of 1,300,000,000 Conversion Shares will be issued by the Company (representing approximately 98.46% of the existing issued share capital of the Company and approximately 49.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares).

Ranking of Conversion Shares

Conversion Shares will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares.

Transferability

The Convertible Bonds are freely transferable in denominations of the principal amount of HK\$100,000 subject to prior notification to the Company.

Redemption

The Company may redeem the Convertible Bonds at 100% of the principal outstanding amount at any time from the date of issue to the maturity date. Any Convertible Bonds outstanding on the maturity date shall be redeemed by the Company at 100% of the outstanding principal amount.

Listing

No application will be made for the listing of the Convertible Bonds.

Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares which may fall to be issued upon conversion of the Convertible Bonds.

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after completion of the Acquisition and assuming full conversion of the Convertible Bonds at the maximum conversion price of HK\$0.18 per Conversion Share, (iii) immediately after completion of the Acquisition and assuming full conversion of the Convertible Bonds at the minimum conversion price of HK\$0.03 per Conversion Share (for illustration purpose), and (iv) immediately after completion of the Acquisition and assuming full conversion of the Convertible Bonds at the minimum conversion price of HK\$0.03 per Conversion Share but subject to the conversion restrictions:

Shareholders	As at the date of this Announcement		Immediately after Completion and assuming full conversion of the Convertible Bonds at the maximum conversion price of HK\$0.18 per Conversion Share		Immediately after Completion and assuming full conversion of the Convertible Bonds at the minimum conversion price of HK\$0.03 per Conversion Share <i>(Note)</i>		Immediately after Completion and assuming full conversion of the Convertible Bonds at the minimum conversion price of HK\$0.03 per Conversion Share but subject to the conversion restrictions	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Vendor	0	0.00	216,666,667	14.10	1,300,000,000	49.61	563,156,646	29.90
Public Shareholders	1,320,310,398	100.00	1,320,310,398	85.90	1,320,310,398	50.39	1,320,310,398	70.10
Total	<u>1,320,310,398</u>	<u>100.00</u>	<u>1,536,977,065</u>	<u>100.00</u>	<u>2,620,310,398</u>	<u>100.00</u>	<u>1,883,467,044</u>	<u>100.00</u>

Note: For illustration purpose only, any conversion of the Convertible Bonds does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds and parties acting in concert with it (as defined under the Takeovers Code) pursuant to the terms of the Convertible Bonds.

INFORMATION ON THE TARGET

The Target is a company incorporated in Hong Kong and is owned as to 51% by China New Media Company Limited (“CNM”) and 49% by the Vendor. CNM is a wholly owned subsidiary of China Outdoor Media Group Limited (Stock Code: 254) (“COMG”), a company listed on the main board of the Stock Exchange. Therefore the Target is a subsidiary of COMG. The Target is principally engaged in outdoor advertising in Hong Kong, specializing in advertising spaces in lifts and outer walls of buildings.

According to the audited accounts of the Target prepared under Hong Kong Financial Reporting Standards, the audited loss before and after taxation for the period from 19 June 2009 (date of incorporation) to 30 June 2010 were both approximately HK\$0.7 million. The audited net liabilities of the Target as at 30 June 2010 was approximately HK\$0.7 million.

REASONS FOR THE ACQUISITION

The Group is principally engaged in development and sale of intelligent home electronic application system, development of outdoor advertising industry and gold mining industry in the PRC.

As stated in the Company’s interim report for the period ended 31 December 2010, in order for the Group to broaden its source of income and expand the business operations, the Directors believe that it is beneficial for the Group to diversity its business into the advertising and display industry in the PRC.

It is the corporate strategy of the Group to strengthen its existing business and at the same time identifying and capitalizing new opportunities to achieve financial growth for the Group and to maximum shareholders’ value. To this end, the Directors consider the Acquisition as an opportunity for the Group to further expand its business in outdoor advertising and display industry.

After the completion of the Acquisition, the Company’s interest in the Target will be accounted for as an investment. The Purchaser shall be entitled to nominate one director into the board of directors of the Target upon completion of the Agreement.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 19.06 of the GEM Listing Rules, which is subject to the reporting, announcement and shareholders’ approval requirements under the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has an interest in the Agreement which is materially different from the other Shareholders. Therefore no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM.

GENERAL

A circular containing, among other things, details of the Acquisition and a notice to convene the SGM will be despatched to the Shareholders on or before 31 March 2011 as additional time is required to prepare the accountant's report on the Target.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Acquisition”	the acquisition of the Sale Shares pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 18 February 2011 entered into between the Vendor, the Purchaser and the Company relating to the sale and purchase of the Sale Shares
“Board”	the board of Directors
“Company”	Inno-Tech Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM
“connected persons”	has the meaning ascribed to it in the GEM Listing Rules
“Conversion Shares”	the Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the agreed form in the principal amount of HK\$39,000,000.00 to be issued by the Company in favour of the Vendor at Completion to satisfy part of the consideration for the Acquisition
“Directors”	the directors of the Company

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an independent third party, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is not connected with the Company and its connected persons (as defined under the GEM Listing Rules)
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Superior Luck Investments Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Sale Shares”	the 19 ordinary shares of HK\$1.00 each in the issued share capital of the Target held and beneficially owned by the Vendor, representing 19% of the total issued share capital of the Target
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Agreement, the issue of Convertible Bonds and the issue and allotment of the Conversion Shares upon exercising of the conversion right attaching to the Convertible Bonds and the transactions contemplated thereunder
“Shareholders”	holders of ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Target”	China New Media (HK) Company Limited, a company incorporated in Hong Kong with limited liability
“Vendor”	Win Today Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Ms. Yu Wai Yin, Vicky, an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board of
INNO-TECH HOLDINGS LIMITED
Chen Chuan
Chairman

Hong Kong, 18 February 2011.

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Chen Chuan (Chairman) and Mr. Ang Wing Fung; and three independent non-executive Directors, namely Ms. Wong On Yee, Ms. Au Yuk Kit and Ms. Lu Di.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for 7 days from the date of its posting and on the website of the Company.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.