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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)

**(1) VERY SUBSTANTIAL ACQUISITION –
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
IN A COMPANY ENGAGING IN
TELEVISION AND OUTDOOR ADVERTISING BUSINESS IN
THE PEOPLE’S REPUBLIC OF CHINA,
(2) CONNECTED TRANSACTION – ENTERING INTO
A PLACING AGREEMENT WITH A CONNECTED PERSON,
(3) PLACING OF CONVERTIBLE BONDS
AND
(4) RESUMPTION OF TRADING**

THE ACQUISITION

On 8 July 2011 (after trading hours), the Company and the Vendors entered into the Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, and to procure the Redgate CB Holders to sell the Redgate Conversion Shares, for a total consideration of HK\$1,940,704,206, which will be satisfied (i) as to HK\$290,000,000 in cash; (ii) as to HK\$160,000,000 by way of issue of the Promissory Notes; and (iii) as to HK\$1,490,704,206 by way of issue of the Convertible Notes.

* For identification purpose only

Particulars of the Promissory Notes are set out in the paragraph headed “The Acquisition – Major Terms of the Promissory Notes” below. Upon exercise of the conversion rights in full, the Convertible Notes are convertible into 5,404,002,709 Conversion Shares at the initial conversion price of HK\$0.38 each Conversion Share (taking into account the Third Convertible Notes Adjustment Events). The Conversion Shares represent (i) approximately 5,684.71% of the existing issued share capital, (ii) approximately 98.27% of the issued share capital as enlarged by the Conversion Shares and (iii) approximately 89.69% of the issued share capital as enlarged by the Conversion Shares and the CB Conversion Shares. The Conversion Shares will be issued and allotted pursuant to a specific mandate to be granted by the Shareholders at the Special General Meeting. Particulars of the Convertible Notes are set out in the paragraph headed “The Acquisition – Major Terms of the Convertible Notes” below.

The Sale Shares and the Redgate Conversion Shares represent the entire issued share capital of Redgate Ventures as enlarged by the Redgate Conversion Shares. Completion of the Acquisition is conditional upon satisfaction (or waiver) as the case may be of the conditions precedent set out in the paragraph headed “The Acquisition – Conditions precedent” below.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Vendors, the Redgate CB Holders and their respective ultimate beneficial owners is an Independent Third Party.

Based on the relevant percentage ratios calculations under the GEM Listing Rules, the entering into of the Sale and Purchase Agreement constitutes a very substantial acquisition for the Company and is therefore subject to reporting, announcement and shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

THE PLACING

On 8 July 2011 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement in relation to the placing of convertible bonds in the principal amount of up to HK\$200,000,000 convertible into Shares at HK\$0.38 each CB Conversion Share, on a best effort basis, to not less than six independent Placers.

Upon exercise of the conversion rights in full, the Placing CB are convertible into 526,315,789 Shares at the initial conversion price of HK\$0.38 each CB Conversion Share. The CB Conversion Shares represent (i) approximately 553.65% of the existing issued share capital and (ii) approximately 8.73% of the issued share capital as enlarged by the Conversion Shares and the CB Conversion Shares. The CB Conversion Shares will be issued and allotted pursuant to a specific mandate to be granted by the Shareholders at the Special General Meeting. Particulars of the Placing CB are set out in the paragraph headed “Principal Terms of the Placing CB” below.

Completion of the Placing is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “The Placing – Conditions precedent” below.

The ultimate controlling shareholder of the Placing Agent, Ms. Au Suet Ming Clarea, is an associate of Ms. Au Yuk Kit, an independent non-executive Director. Hence the Placing Agent is a connected person of the Company and the entering into of the Placing Agreement constitutes a connected transaction for the Company. As the aggregate amount of commission paid to the Placing Agent in the 12 months preceding the date of the Placing Agreement and to be paid under the Placing Agreement amounts to HK\$15,071,632.75, the entering into of the Placing Agreement with the Placing Agent is subject to the reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 20.17 of the GEM Listing Rules. As none of the Shareholders is interested in the Placing Agreement, all Shareholders can vote in respect of the resolution for approving the Placing Agreement at the Special General Meeting.

The net proceeds of the Placing in the amount of approximately HK\$194,000,000 will be used to finance the payment of part of the cash portion of the Consideration at Completion.

As completion of the Acquisition and the Placing is inter-conditional, Ms. Au Yuk Kit, has abstained from voting on resolutions approving the Acquisition and the Placing at the meeting of the Board held to approve the transactions.

GENERAL

A circular containing, among other things, (i) information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) information of the Redgate Ventures Group; (iii) information on the Placing and the Placing CB; (iv) financial information of the Group; (v) financial information of the Redgate Ventures Group; (vi) pro forma financial information of the Enlarged Group; (vii) letter from the Independent Board Committee; (viii) letter from the Independent Financial Adviser in relation to the entering into of the Placing Agreement with the Placing Agent; and (ix) notice of the Special General Meeting, will be despatched to the Shareholders on or before 31 October 2011 to allow sufficient time to prepare financial information to be included in the circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on Monday, 11 July 2011 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on Friday, 22 July 2011.

THE ACQUISITION

On 8 July 2011 (after trading hours), the Company and the Vendors entered into the Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, and to procure the Redgate CB Holders to sell the Redgate Conversion Shares, for a total consideration of HK\$1,940,704,206.

THE SALE AND PURCHASE AGREEMENT

Date

8 July 2011 (after trading hours)

Parties

Purchaser : the Company

First Vendor : Media Chief Limited

Second Vendor : Carraway Holdings Limited

Each of the Vendors is an investment holding company. The First Vendor is engaged in the media business through its subsidiaries and its beneficial owners are Independent Third Parties comprising various funds and individuals. The Second Vendor is a special purpose vehicle incorporated for the purpose of acquiring the interest in Redgate Ventures and became a shareholder of Redgate Ventures on 5 July 2011. The Second Vendor is beneficially owned as to 51% by the First Vendor and as to 49% by an individual who is an Independent Third Party.

Pursuant to the Sale and Purchase Agreement, the First Vendor has agreed to procure the Redgate CB Holders to sell the Redgate Conversion Shares to the Company upon automatic conversion of the Redgate CB immediately before Completion. The Redgate CB Holders comprise funds and individuals, who became shareholders of the First Vendor from 2003 to 2009. Except for one Redgate CB Holder who has swapped its equity interest in the First Vendor for the Redgate CB, all Redgate CB Holders remain shareholders of the First Vendor. They became Redgate CB Holders on 6 July 2011. Save for being shareholders of the First Vendor, which in turn holds 55% of Redgate Ventures, and the Redgate CB Holders, there is no business relationship between the Redgate CB Holders and the Vendors and Redgate Ventures.

Upon the automatic conversion of the Redgate CB in full immediately before Completion, the percentage of interest to be held by each of the First Vendor, Second Vendor and the Redgate CB Holders in the enlarged issued share capital of Redgate Ventures are 51.01%, 41.74% and 7.25% respectively.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Vendors, the Redgate CB Holders and their respective ultimate beneficial owners is an Independent Third Party.

Subject matter

The Sale Shares and the Redgate Conversion Shares, representing the entire issued share capital of Redgate Ventures as enlarged by the Redgate Conversion Shares at Completion.

The Sale Shares will be sold as to 5,500,000 Sale Shares by the First Vendor and as to 4,500,000 Sale Shares by the Second Vendor.

The principal amount of the Redgate CB is US\$9,747,633.10 (equivalent to approximately HK\$76,031,538.18). The Redgate CB will be automatically converted into shares of Redgate Ventures immediately before Completion.

Consideration

The aggregate consideration for the sale and purchase of the Sale Shares and the Redgate Conversion Shares is HK\$1,940,704,206, which will be satisfied in the following manner:

1. as to a sum of HK\$80,000,000 in cash by way of a refundable deposit paid to the Second Vendor on the date of the signing of the Sale and Purchase Agreement;
2. as to a sum of HK\$210,000,000 in cash payable to the Second Vendor at Completion;
3. as to a sum of HK\$160,000,000 by way of issue of the Promissory Notes to the Vendors at Completion; and
4. as to a sum of HK\$1,490,704,206 by way of issue of the Convertible Notes to the Vendors and the Redgate CB Holders at Completion.

The cash, the Promissory Notes and the Convertible Notes will be allocated amongst the Vendors and the Redgate CB Holders in the following manner:

| | Cash <i>HK\$</i> | Principal amount of Promissory Notes <i>HK\$</i> | Principal amount of Convertible Notes <i>HK\$</i> |
|--------------------|----------------------------|--|---|
| First Vendor | – | 80,000,000 | 921,600,000 |
| Second Vendor | 290,000,000 | 80,000,000 | 428,400,000 |
| Redgate CB Holders | – | – | 140,704,206 |
| Total | <u>290,000,000</u> | <u>160,000,000</u> | <u>1,490,704,206</u> |

The Consideration has been arrived at after arm's length negotiations between the parties and was determined with reference to, a draft valuation report of the Redgate Ventures Group as at 30 June 2011 for HK\$1,984,000,000 by Roma Appraisal Limited, an independent valuer.

The Deposit will be financed by internal resources and the remaining balance of the cash portion of the Consideration will be funded from net proceeds of the Placing, internal resources of the Group or external bank borrowings.

Conditions precedent

Completion shall be conditional upon satisfaction or waiver (as applicable) of each of the following conditions precedent:

- (a) the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the granting of the specific mandate to issue and allot the Conversion Shares, by the Shareholders permitted to vote on the relevant resolutions under the GEM Listing Rules and such approval not having been proposed to be revoked;
- (b) completion of the legal, tax and financial due diligence review of the business, affairs, operation and financial position of the Redgate Ventures Group and the due incorporation of, the valid existence of and the power and capacity to carry on the business by the Redgate Ventures Group to the satisfaction of the Company;

- (c) the granting by the Listing Committee of the Stock Exchange of a listing of and permission to deal in the Conversion Shares to be issued upon exercise of the conversion rights attaching to the Convertible Notes;
- (d) the obtaining of all necessary approvals, authorisations or consents in Hong Kong, the BVI, Bermuda, the PRC or elsewhere in relation to the transactions contemplated under the Sale and Purchase Agreement (if necessary);
- (e) the delivery of one or more BVI legal opinion(s) in respect of (i) the due incorporation of the Vendors under the BVI laws and that the Vendors have obtained all necessary approvals and consent for entering into the Sale and Purchase Agreement and that their obligations thereunder constitute legal and valid obligations and are enforceable against them; and (ii) the due incorporation of Redgate Ventures, in a form satisfactory to the Company;
- (f) the delivery of one or more PRC legal opinion(s) in respect of the due establishment and valid existence of each of the PRC Entities; the operation of, the power and capacity of each of the PRC Entities to carry on the business in a form satisfactory to the Company;
- (g) the warranties given by the Vendors as set out in the Sale and Purchase Agreement remaining true and accurate in all respects and not misleading in any respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date; and
- (h) the fulfillment of the conditions precedent to which the Placing is subject (as set out in the paragraph headed “The Placing – Conditions precedent” below).

The Company may at any time before Completion waive the conditions precedent (b), (e), (f) and (g) above at its sole discretion. The intention is that if immaterial issues which do not affect the value or operation of the Redgate Ventures Group or its assets or businesses, are noted in the course of the due diligence review or in the PRC legal opinion, the Company can exercise its discretion to waive the relevant conditions precedent (b) or (f) so that the parties can still proceed to Completion.

If any of the conditions precedent has not been satisfied (or, as the case may be, waived by the Company) by the Long Stop Date, or where the Placing does not complete, the Sale and Purchase Agreement and everything contained therein shall, subject to the liability of any party to the others in respect of any breaches antecedent thereto and the immediate refund of the Deposit, automatically terminate and be null and void and of no effect and the parties shall be released from all obligations thereunder.

Completion

Completion shall take place on or before 5:00 p.m. on the date falling on the fifth Business Day after fulfillment or waiver of all the conditions precedent of the Sale and Purchase Agreement and on the same day as completion of the Placing.

There will not be any change to the composition of the Board as a result of the Acquisition.

Major Terms of the Promissory Note(s)

The major terms of the Promissory Note(s) are as follows:

| | | |
|------------------|---|--|
| Principal amount | : | The aggregate amount of HK\$160,000,000 |
| Maturity date | : | The second anniversary of the date of issue of the Promissory Note(s) (the “ PN Maturity Date ”) |
| Interest | : | The Promissory Notes do not bear any interest |
| Redemption | : | The Company may at any time from the date of issue of the Promissory Note(s) up to the date immediately prior to the PN Maturity Date, repay the entire Promissory Note(s) or any part of it by payment to the holder of the Promissory Note(s) of the outstanding principal amount thereof, without penalty |
| Transferability | : | The Promissory Note(s) is freely transferable and assignable by the holder to any person whether in whole or in part |

Major Terms of the Convertible Note(s)

The major terms of the Convertible Note(s) are as follows:

| | | |
|------------------|---|---|
| Principal amount | : | HK\$1,490,704,206 |
| Maturity date | : | The third anniversary of the date of issue of the Convertible Note(s) (the “ CN Maturity Date ”) |
| Interest | : | The Convertible Notes do not bear any interest |

- Conversion right : The holder(s) shall be entitled to convert the principal amount of the Convertible Note(s) into Conversion Shares at the Conversion Price
- Conversion price : HK\$0.38 each Conversion Share, subject to adjustments in accordance with the terms and conditions of the Convertible Note(s) 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.

In respect of the Convertible Notes in the principal amount of HK\$140,704,206 (the “**Third Convertible Notes**”) to be issued to the Redgate CB Holders, in addition to the adjustment events mentioned above, the Conversion Price for the Third Convertible Notes will be subject to the following additional adjustment events (“**Third Convertible Notes Adjustment Events**”):

- (a) if at any time during the three-month period commencing on the Completion Date (the “**Relevant Period**”), the Company completes a placing of new Shares to Independent Third Parties at a placing price (the “**Relevant Placing Price**”) which is below the then Conversion Price (“**Applicable Conversion Price**”) and the gross amount to be raised from such placing is not less than HK\$10,000,000 (the “**Post-Completion Placing**”), then the Conversion Price in respect of the Third Convertible Notes shall be adjusted to the Relevant Placing Price, provided that the Conversion Price after such adjustment shall not be less than 20% of the Applicable Conversion Price;

- (b) if the Company has not completed any Post-Completion Placing during the Relevant Period, then the Conversion Price shall be adjusted to the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the Relevant Period (including the trading days on which the Shares can be traded but no trading has occurred) provided that the Conversion Price after such adjustment shall not be less than 20% of the Applicable Conversion Price before such adjustment.

Taking into account the Third Convertible Notes Adjustment Events, the minimum conversion price applicable to the Third Convertible Notes is HK\$0.076 each Conversion Share (the “**Adjusted Conversion Price**”), based on the Applicable Conversion Price of HK\$0.38.

The Third Convertible Notes Adjustment Events are one-off adjustment events to the Conversion Price only and were the result of arm’s length commercial negotiations between the relevant parties as an inducement for the Redgate CB Holders (who have provided additional capital investment to Redgate Ventures before the entering into of the Sale and Purchase Agreement) to agree to the terms of the Acquisition, taking into account the following principal difference in terms of the commercial risk assumed by (1) the Redgate CB Holders and (2) the First Vendor and Second Vendor:

- (i) the First Vendor and Second Vendor are pre-existing shareholders of Redgate Ventures before the creation of the Redgate CB and have not assumed any new or additional risk;
- (ii) for some of the Redgate CB Holders, they have assumed the risk by injecting fresh capital into Redgate Ventures in consideration for the Redgate CB as induced by the potential return on investment in the event the Acquisition is completed. As the Acquisition may or may not complete, such Redgate CB Holders thus bear the risk of having injected fresh capital in Redgate Ventures and holding the Redgate CB (or holding unlisted shares of Redgate Ventures);

(iii) for the rest of the Redgate CB Holders, before their subscription for the Redgate CB, they had certain account receivables due from Redgate Ventures with higher interest rate and/or with security. Such Redgate CB Holders have “settled” their account receivables and will release their security in consideration for the Redgate CB, as induced by the potential return on investment in the event the Acquisition is completed. The risk they assumed is similar to the other Redgate CB Holders as explained in (ii) above.

In light that the Redgate CB Holders have assumed genuine commercial risks different from the First Vendor and the Second Vendor, and the Directors therefore consider it commercially justifiable that the Redgate CB Holders should have a conversion price adjustment mechanism which is different from the adjustment mechanism available to the First Vendor and the Second Vendor.

The Third Convertible Notes Adjustment Events were negotiated to ensure that the Adjusted Conversion Price will best reflect the fair market price of the Shares at the relevant time. If the Company completes a placing of new Shares as set out in scenario (a) above, then the Adjusted Conversion Price will be such placing price which is believed to reflect the fair market price of the Shares. If the Company does not complete a placing of new Shares as in scenario (b) above, then the Adjusted Conversion Price will be calculated with reference to the average closing price of the Shares over a prescribed period. Essentially, the lower such placing price or average closing price, the greater number of Shares will be issued due to the decrease in the Adjusted Conversion Price.

The Adjusted Conversion Price may be higher than HK\$0.38 in the event that the average closing price of the Shares over the Relevant Period is higher than HK\$0.38, and there is no ceiling under the terms of the Third Convertible Notes. The 20% threshold was determined based on arm's length commercial negotiations between the relevant parties with a view to setting a cap on the maximum number of "increased" Conversion Shares which may be issued pursuant to the Third Convertible Notes Adjustment Events. The purpose of setting a cap is to provide certainty to the maximum number of Shares that may be issued based on the Adjusted Conversion Price and thus the maximum dilution effect (and to ensure that a definite figure, in terms of the number of Conversion Shares that may be issued, is available for Shareholders to consider and vote on at the Special General Meeting). The 20% threshold is not per se a conversion price, but rather, a measure to set a floor to the conversion price which can go as low as the Relevant Placing Price/average closing price (as the case may be) can possibly go.

At present, the Company intends to undertake a share placement. Such share placement may occur during the Relevant Period. However, the timing and terms of such share placement has yet to be further considered and determined and there is no concrete plan in this regard. The share placement, if proceed, would be for the purpose of raising further funds to finance the working capital of the Enlarged Group.

- Conversion period : The conversion rights may be exercised by the holder at any time during the period from the issue date up to (and excluding) the third Business Day immediately before the CN Maturity Date except 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.
- Redemption : The Company shall be entitled to redeem the Convertible Notes prior to the CN Maturity Date.

Events of default : Upon the occurrence of an event of default, the Company shall within 10 days upon the occurring of such event give notice to the holders of the Convertible Notes. Within 10 days after the Company issues such notice, a holder of the Convertible Notes may give notice to the Company that the Convertible Notes are due and payable on the seventh Business Day of the date of the notice.

A event of default includes:

- (a) default in the payment of the principal of the Convertible Notes for more than seven days;
- (b) sufficient number of authorised but unissued Shares is not available for fulfillment of the obligations of the Company upon exercise of the conversion rights attached to the Convertible Notes;
- (c) a default is made by the Company in the performance or observance of any condition or provision of the Convertible Notes and such default continues for a period of 30 days after the services of a notice of remedy by the holders holding at least 51% of the then outstanding principal amount of the Convertible Notes;
- (d) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved;
- (e) an encumbrancer takes possession or a receiver is appointed over the whole or a material part of the assets or undertakings of the Company or a “major subsidiary” within the meaning of the GEM Listing Rules;
- (f) action is levied or enforced upon or against the whole or a part of the property of the Company or any subsidiary which is of a value material to the Group as a whole and is not discharged within 40 days thereof;
- (g) the Company or any subsidiary is unable to pay its debts which are material to the Group as and when they fall due;

- (h) proceedings shall have been initiated against the Company or any “major subsidiary” of the Company (within the meaning of the GEM Listing Rules) under any applicable bankruptcy, reorganization or insolvency law and such proceedings shall not have been discharged or stayed within a period of 40 days;
- (i) any financial indebtedness of the Company or any subsidiary is declared to be due or payable prior to its specific maturity date or security become enforceable or realizable in respect of such financial indebtedness; or
- (j) any event which has an analogous effect to any of the events referred to in paragraphs (a) to (i) above.

Settlement on maturity : On the CN Maturity Date, the Company shall repay to the holders of the Convertible Notes at 100% of the outstanding principal amount of the Convertible Notes.

Notwithstanding the above, the holder may by giving a notice to the Company not less than six months before the CN Maturity Date requesting for settlement of the Convertible Notes 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 Note:

- (a) a conversion notice has been served by the holder on the Company; or
- (b) a settlement notice has been served by the holder on the Company.

Ranking of Conversion Shares : The Conversion 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 of the Convertible Notes shall not be entitled to vote at general meeting of the Company. However, the holder is entitled to receive all reports and circulars to be issued by the Company from time to time.
- Undertaking : The holder of the Convertible Notes shall undertake to the Company that:
- (a) it shall fully comply with all applicable laws, rules and regulations, including but not limited to the GEM Listing Rules and the Hong Kong Code on Takeovers and Mergers in respect of, among other things, the exercise of its conversion rights under the Convertible Notes and acceptance of the Shares to be issued to it upon exercise of such conversion rights; and
 - (b) it shall not exercise the conversion rights to the extent that following such conversion, the holder of the Convertible Notes and parties acting in concert with it, will directly or indirectly, control or be interested in more than 29% of the then issued share capital of the Company; or that the Company's minimum public float requirements under the GEM Listing Rules could not be maintained.

It is also a term of the Convertible Notes that the Company will refuse to accept a conversion notice if the proposed conversion will result in a breach of the aforementioned undertakings.

Conversion Shares

A maximum of 5,404,002,709 Conversion Shares (comprising 3,552,631,578 Conversion Shares to be allotted and issued upon full exercise of the conversion rights attached to the Convertible Notes to be issued to the Vendors at the initial conversion price of HK\$0.38 each Conversion Share, and 1,851,371,131 Conversion Shares to be allotted and issued upon full exercise of the conversion rights attached to the Third Convertible Notes at the conversion price of HK\$0.076 each Conversion Share (taking into account the Third Convertible Notes Adjustment Events)) shall be allotted and issued upon full exercise of the conversion rights attached to the Convertible Notes.

The 5,404,002,709 Conversion Shares represent (i) approximately 5,684.71% of the existing issued share capital, (ii) approximately 98.27% of the issued share capital as enlarged by the Conversion Shares, and (iii) approximately 89.69% of the issued share capital as enlarged by the Conversion Shares and the CB Conversion Shares.

Assuming the conversion price for the Third Convertible Notes remains at HK\$0.38, a maximum of 3,922,905,805 Conversion Shares shall be allotted and issued upon full exercise of the conversion rights attached to the Convertible Note(s). The 3,922,905,805 Conversion Shares represent (i) approximately 4,126.68% of the existing issued share capital, (ii) approximately 97.63% of the issued share capital as enlarged by the Conversion Shares and (iii) approximately 86.33% of the issued share capital as enlarged by the Conversion Shares and the CB Conversion Shares.

The initial Conversion Price of HK\$0.38 each Conversion Share represents:

- (i) a premium of approximately 4.11% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 14.03% to the average of the closing prices of approximately HK\$0.442 per Share for the 10 consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 34.14% to the average of the closing prices of approximately HK\$0.577 per Share for the 30 consecutive trading days up to and including the Last Trading Day.

The Adjusted Conversion Price of HK\$0.076 each Conversion Share represents:

- (i) a discount of approximately 79.18% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 82.81% to the average of the closing prices of approximately HK\$0.442 per Share for the 10 consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 86.83% to the average of the closing prices of approximately HK\$0.577 per Share for the 30 consecutive trading days up to and including the Last Trading Day.

Specific Mandate to issue Conversion Shares

The Conversion Shares are to be issued by the Company under specific mandate to be granted by the Shareholders at the Special General Meeting. The Conversion Shares, when issued and allotted, will rank *pari passu* in all respects with all the Shares then in issue.

No application will be made for a listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Conversion Shares.

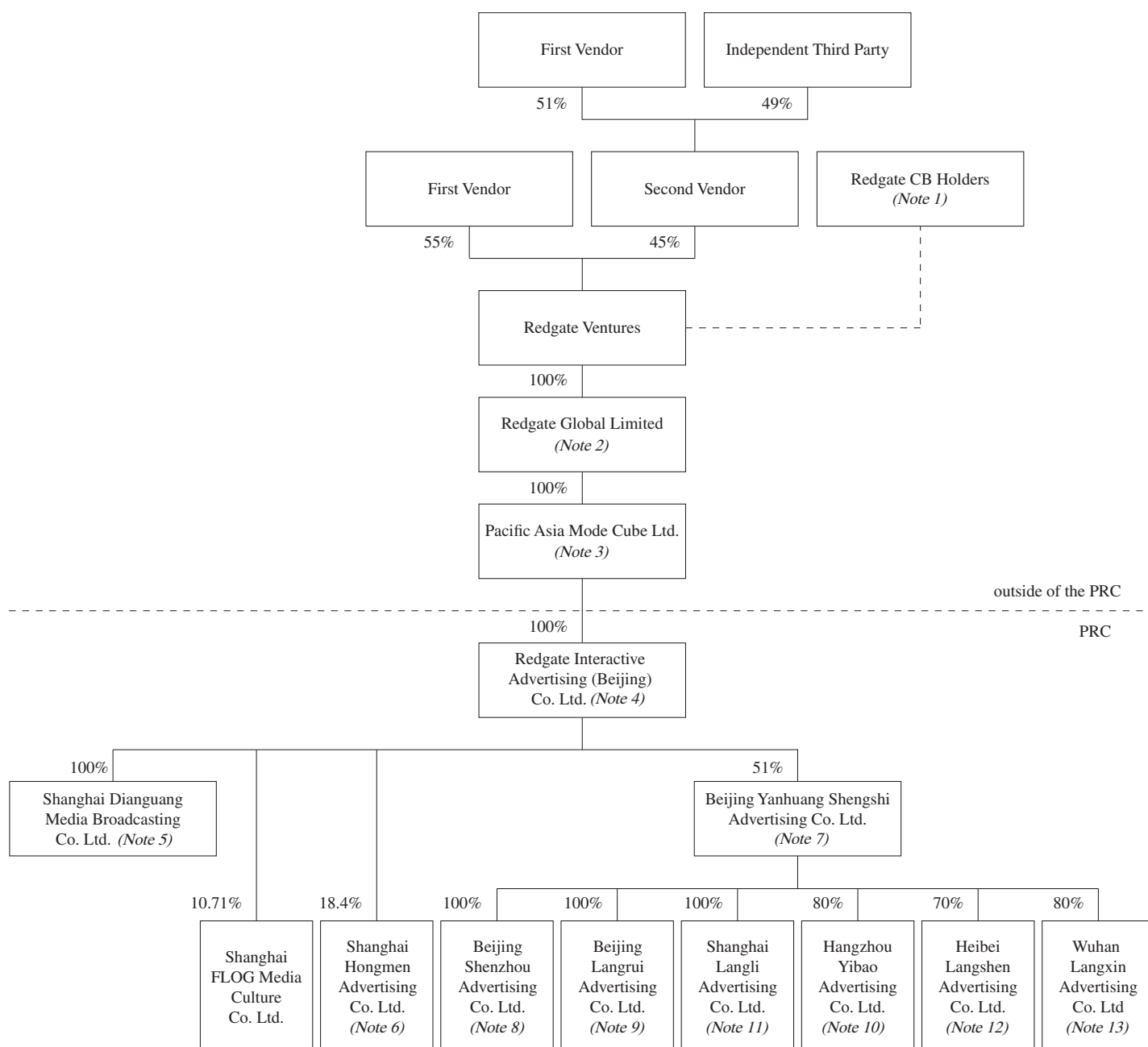
INFORMATION ON THE REDGATE VENTURES GROUP

Redgate Ventures was incorporated in the BVI with limited liability on 14 October 2010 and is principally engaged in investment holding. As at the date of this announcement, Redgate Ventures is held as to 55% by the First Vendor and as to 45% by the Second Vendor.

The Redgate Ventures Group is a diversified media company in China primarily providing advertising and advertising agency services through an integrated cross-media platform that enables advertisers to conduct multiple-channel marketing campaigns targeting higher-income demographics. The Redgate Ventures Group commenced its operations in 2003. Redgate Ventures through its subsidiaries in the PRC provides television advertising agency services with respect to city or provincial television channels and certain programs on city or provincial television channels. The outdoor advertising network of the Redgate Ventures Group consists of a commercial billboard and display network in 29 cities with a significant presence in Beijing and a residential light-box network in Shanghai.

The Redgate Ventures Group maintains a comprehensive portfolio of assets in television and outdoor in key metropolitan markets, such as Beijing, Shanghai, Hangzhou and Wuhan. The advertising channels of the Redgate Ventures Group allow leading international and domestic brand names flexibility and efficiency in executing effective marketing campaigns. The outdoor advertising network of the Redgate Ventures Group provides various media formats typically located along major traffic arteries and in other high visibility locations over 20 cities in China. The Redgate Ventures Group also offers clients big outdoor advertising opportunities in Beijing/Shanghai Auto Show and airport VIP lounges. Television advertising platform of the Redgate Ventures Group provides Shanghai Drama Channel 10.5 min advertising time-slot every night from 22:30 to 24:00 to cover Shanghai household.

The following is the structure chart of the Redgate Ventures Group (as at the date of this announcement):



Notes:

1. The outstanding Redgate CB in the principal amount of US\$9,747,633.10 (equivalent to approximately HK\$76,031,538.18) will automatically be converted into Redgate Conversion Shares immediately before Completion. The percentage of interest to be held by each of the First Vendor, Second Vendor and the Redgate CB Holders in the issued share capital of Redgate Ventures as enlarged by the conversion of Redgate CB in full are 51.01%, 41.74% and 7.25% respectively.
2. Redgate Global Limited was incorporated in the BVI with limited liability on 21 September 2005 and is principally engaged in investment holding.
3. Pacific Asia Mode Cube Limited (“**Pacific Asia Mode**”) was incorporated in Hong Kong with limited liability on 30 September 2002 and is principally engaged in investment holding.

4. Redgate Interactive Advertising (Beijing) Co. Ltd. (“**Redgate Interactive**”) is a wholly foreign owned enterprise established in the PRC on 21 December 2006. Its scope of business is design, production, agency, broadcasting of advertisements from mainland and oversea investors. It has a registered capital of US\$11,000,000 and is wholly owned by Pacific Asia Mode.
5. Shanghai Dianguang Media Broadcasting Company Ltd. (“**Shanghai Dianguang**”) is a limited liability company established in the PRC on 27 November 2001. Its scope of business is design, production, agency, broadcasting of all kinds of advertisements, wholesaling of advertising gifts, arts and crafts (except gold and silver). It has a registered capital of RMB5,000,000 which is wholly owned by Redgate Interactive.
6. Shanghai Hongmen Advertising Co. Ltd. (“**Shanghai Hongmen**”) is a limited liability company established in the PRC on 9 June 2004. Its scope of business is design, production, agency, broadcasting of all kinds of advertisements, graphic production, corporate image planning and design. It has a registered capital of RMB7,850,964 and is owned as to 18.354% by Redgate Interactive.
7. Beijing Yanhuang Shengshi Advertising Co. Ltd. (“**Beijing Yanhuang**”) is a company established in the PRC on 19 April 2000. Its scope of business is design, productions, agency, broadcasting of advertisements from mainland and oversea investors; undertaking of exhibition and demonstration activities; organizing cultural and arts exchange activities (excluding performance). It has a registered capital of RMB5,000,000 and is owned as to 51% by Redgate Interactive. Beijing Yanhuang is interested in 100%, 100%, 100%, 80%, 70% and 80% of Beijing Shenzhou Advertising Co. Ltd. (“**Beijing Shenzhou**”), Beijing Langrui Advertising Co. Ltd. (“**Beijing Langrui**”), Shanghai Langli Advertising Co. Ltd. (“**Shanghai Langli**”), Hangzhou Yibao Advertising Co. Ltd. (“**Hangzhou Yibao**”), Hebei Langshen Advertising Co. Ltd. (“**Hebei Langshen**”) and Wuhan Langxin Advertising Co. Ltd. (“**Wuhan Langxin**”) respectively.
8. Beijing Shenzhou is a limited liability company established in the PRC on 1 March 2001. Its scope of business is design, production, agency, broadcasting is advertisements from mainland and overseas investors. It has a registered capital of RMB500,000 and is wholly owned by Beijing Yanhuang.
9. Beijing Langrui is a limited liability company established in the PRC on 16 March 2006. Its scope of business is agency, broadcasting of advertisements, design of pictures and articles by computer, undertaking exhibition and demonstrating activities, conference services, organizing cultural and arts exchange activities, television and video planning, public relation services. It has a registered capital of RMB500,000 and is wholly owned by Beijing Yanhuang.
10. Hangzhou Yibao is a limited liability company established in the PRC on 30 June 2008. Its scope of business is services; design, production, agency, broadcasting of mainland advertisements, undertaking exhibitions, consultation of economic information (exception securities and futures); wholesaling and retailing; department store. It has a registered capital of RMB1,000,000 and is owned as to 80% by Beijing Yanhuang.

11. Shanghai Langli is a limited liability company established in the PRC on 8 March 2005. Its scope of business is design, production, agency, broadcasting of all kinds of advertisements, business information consultation, corporate image planning, market and sales planning, exhibition services, public relations consultation, corporate culture consultation, cultural and arts exchange planning (except agent), internet design, production of pictures and articles, photo shooting service, computer network engineering (except special approval), research and development of computer softwares and hardwares, sale of office and cultural items, arts and crafts, advertising materials. It has a registered capital of RMB500,000 and is wholly owned by Beijing Yanhuang.
12. Hebei Langshen is a limited liability company established in the PRC on 3 December 2008. Its scope of business is design, production, agency of mainland advertisements; broadcasting of mainland outdoor advertisements. It has a registered capital of RMB1,000,000 and is owned as to 70% by Beijing Yanhuang.
13. Wuhan Langxin is a limited liability company established in the PRC on 16 January 2009. Its scope of business is design, production, agency and broadcasting of mainland advertisements; undertaking exhibitions and demonstration activities, organizing cultural and arts exchange activities (excluding performance). It has a registered capital of RMB2,000,000 and is owned as to 80% by Beijing Yanhuang.

Set out below is the unaudited consolidated financial information of the Redgate Ventures Group for the two financial years ended 31 December 2009 and 31 December 2010 respectively:

| | For year ended 31 December 2009 | For year ended 31 December 2010 |
|---|--|--|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Turnover | 185,070 | 247,585 |
| Profits/(Loss) before taxation | (13,232) | 66,799 |
| Profits/(Loss) before taxation attributable to the equity holders | (20,395) | 76,082 |
| Profits/(Loss) after taxation | (27,062) | 51,814 |
| Profits/(Loss) after taxation attributable to the equity holders | (34,225) | 61,097 |

As at 31 December 2010, the unaudited consolidated net asset value of Redgate Ventures Group was approximately HK\$16,497,000.

Upon Completion, Redgate Ventures will become a wholly owned subsidiary of the Company and the financial results of the Redgate Ventures Group will be consolidated into the Group's financial statements.

THE PLACING

Date

8 July 2011 (after trading hours)

Parties

Issuer : the Company

Placing Agent : Cheong Lee Securities Limited

The ultimate beneficial owner of the Placing Agent, Ms. Au Suet Ming Clarea, is an associate of Ms. Au Yuk Kit, an independent non-executive Director. Hence the Placing Agent is a connected person of the Company and the entering into of the Placing Agreement constitutes a connected transaction for the Company.

Subject matter

Pursuant to the Placing Agreement, the Company has conditionally agreed to issue, and the Placing Agent has conditionally agreed to act as placing agent, on a best effort basis, for the purpose of arranging subscribers who are professional and institutional investors and are Independent Third Parties, to subscribe for the Placing CB with an aggregate principal amount of up to HK\$200,000,000. It is expected that the Placing CB will be placed to more than six placees and that none of the Placees will become a substantial shareholder of the Company by virtue of the exercise of the conversion rights attached to the Placing CB to be subscribed pursuant to the Placing.

The Placing Agent will be paid a placing commission of 3% of the principal amount of the Placing CB successfully placed by the Placing Agent. The placing commission is determined after arm's length discussion between the parties taking into account the size of the Placing.

Conditions precedent

Completion of the Placing Agreement is conditional upon the satisfaction of the following conditions:

- (a) the approval of the Placing Agreement and the granting of the specific mandate to issue and allot the CB Conversion Shares by the Shareholders permitted to vote on the relevant resolutions under the GEM Listing Rules and such approval not having been proposed to be revoked;
- (b) the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement (as set out in the paragraph headed "The Acquisition – Conditions precedent" above);

- (c) the granting by the Listing Committee of the Stock Exchange of a listing of and permission to deal in the CB Conversion Shares upon exercise of the conversion rights attaching to the Placing CB; and
- (d) the obligation of the Placing Agent becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

None of the conditions precedent set out above can be waived.

Completion

Subject to the fulfilment of the conditions precedent above, Completion shall take place on or before the fifth Business Day after the above conditions have been fulfilled (or such other day as the parties under the Placing Agreement may agree in writing) and on the same day as completion of the Acquisition. The subscription monies shall be payable by the Placing Agent at Completion.

In the event that the conditions precedent set out above have not been fulfilled on or before 31 December 2011 (or such later time or date as may be agreed between the parties under the Placing Agreement in writing), the Placing Agent may, at any time thereafter, terminate its obligations under the Placing Agreement by notice in writing to the Company, whereupon the obligations of the Placing Agent under the Placing Agreement shall forthwith cease and terminate and neither the Company nor the Placing Agent shall have any claim against any of the others, save for any antecedent breach thereof.

Termination

The Placing Agent may, by notice to the Company given at any time prior to 10:00 a.m. on the Completion Date, terminate the Placing Agreement if there occurs:

- (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company; or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the Placing to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the completion of the Placing to potential investor(s)) or otherwise in the sole and absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or
- (d) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (e) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate in any respect or would in any respect be untrue or inaccurate, or if repeated the Placing Agent shall determine in its reasonable opinion that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company or will otherwise likely to have a material prejudicial effect on the Placing.

If at any time prior to 10:00 a.m. on the Completion Date, any such notice as is referred to above is given by the Placing Agent, the obligations of all parties under the Placing Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

Termination of the Placing Agreement shall be without prejudice to any rights of any party in respect of any breach by the other prior to such termination.

PRINCIPAL TERMS OF THE PLACING CB

- Principal amount : Up to HK\$200,000,000 (in multiples of HK\$1,000,000)
- Status : The Placing CB constitute direct, unconditional, unsubordinated and (subject to the terms of the Placing CB) unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Placing CB shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
- Maturity Date : The second anniversary from the date of the issue (the “**Maturity Date**”)
- Interest : The Placing CB does not bear any interest
- Conversion period : Subject to the conditions below, the Bondholder shall have the right to convert the whole or part (in an amount not less than HK\$1,000,000, save that if at any time the principal outstanding amount of the Placing CB shall be less than HK\$1,000,000, the whole (but not part only) of the principal amount of the Placing CB may be converted) of the principal amount of the Placing CB into CB Conversion Shares from the day immediately following the date of the issue of the Placing CB up to five Business Days before the Maturity Date.
- Conversion Price : The initial CB Conversion Price is HK\$0.38 each CB Conversion Share, which is subject to usual anti-dilution adjustments from time to time in accordance with the provisions set out in the instrument constituting the Placing CB such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issues and other equity derivatives or Shares issued by the Company.

The initial CB Conversion Price represents approximately:

- (i) a premium of approximately 4.11% to the closing Share price of HK\$0.365 on the Last Trading Day;
- (ii) a discount of approximately 3.55% to the average of the closing Share price of approximately HK\$0.394 for the 5 consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 14.03% to the average of the closing Share price of approximately HK\$0.442 for the 10 consecutive trading days up to and including the Last Trading Day.

The CB Conversion Price is determined after arm's length negotiations between the Company and the Placing Agent with reference to the recent market price of the Shares and is the same as the Conversion Price.

CB Conversion Shares : Upon full conversion of the maximum principal amount of the Placing CB of HK\$200,000,000, 526,315,789 CB Conversion Shares will fall to be issued, representing approximately 553.65% of the issued share capital of the Company as at the date of the Placing Agreement; approximately 84.70% of the issued share capital of the Company as enlarged by the issue of the CB Conversion Shares; and approximately 8.73% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and the CB Conversion Shares.

The CB Conversion Shares will be issued and allotted under the specific mandate to be granted to the Directors at the Special General Meeting.

The maximum total nominal value of the CB Conversion Shares is approximately HK\$526,315.79.

- Listing** : No application will be made for a listing of, or permission to deal in, the Placing CB on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the CB Conversion Shares.
- Ranking** : The CB Conversion Shares shall rank pari passu in all respects with the fully paid Shares in issue on the relevant date of conversion and shall accordingly entitle the Bondholders to participate in full in all dividends or other distributions paid or made on the Shares after the relevant date of conversion other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant date of conversion and notice of the amount and record date for which shall have been given to the Stock Exchange and the Bondholder prior to the relevant date of conversion and, for this purpose, the notice to the Bondholder may take the form of sending a copy of the relevant announcement to them.
- Redemption** : The Company may at any time prior to the Maturity Date redeem all or part of the Placing CB at par by serving at least 30 Business Days' written notice on the Bondholders.
- Events of default** : Upon the occurrence of an event of default, Bondholders holding not less than 66% of the then outstanding principal amount of the Placing CB may give notice to the Company that the outstanding principal amount of the Placing CB become immediately due and payable.

An event of default includes:

- (a) default in the payment of the principal of the Placing CB for more than 14 days;
- (b) a default is made by the Company in the performance or observance of any condition or provision of the Placing CB and such default continues for a period of 30 days after the services of a notice of remedy by the Bondholders holding at least 66% of the then outstanding principal amount of the Placing CB;
- (c) any financial indebtedness of the Company or any major subsidiary (within the meaning of the GEM Listing Rules) is declared to be due or payable prior to its specific maturity date, or any such financial indebtedness is not paid when due;
- (d) action is levied or enforced upon or against the whole or a part of the property of the Company or a major subsidiary which would have a material adverse effect on the Company or the major subsidiary and is not discharged within 40 days thereof;
- (e) the Company or a major subsidiary is insolvent or bankrupt;
- (f) an order of a court of competent jurisdiction is made or a resolution is passed that the Company or a major subsidiary be wound up or dissolved; or
- (g) an administrative or other receiver or any manager is duly appointed of the Company or any major subsidiary over either or them or any of their assets or properties, or such action having been commenced by a creditor of the Company or any major subsidiary and such proceedings shall not have been discharged within a period of 40 days.

- Settlement on maturity : Unless previously converted or redeemed, or purchased and cancelled in accordance with the terms of the Placing CB, the Company will redeem the Placing CB on the Maturity Date at 100% of the principal amount then outstanding (together with all interest accrued thereon).
- Transferability : The Placing CB are freely transferable in whole multiples of HK\$1,000,000 (or such lesser amount as may represent the entire principal amount thereof) to any person, save that none of the Placing CB may be transferred to a connected person of the Company without the prior approval of the Stock Exchange and the Company.
- Voting : The Bondholder shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the Bondholder.

USE OF PROCEEDS

The proceeds from the Placing is HK\$200,000,000 and the net proceeds will be approximately HK\$194,000,000. The Company will bear the cost and expenses of approximately HK\$6,000,000 in connection with the Placing, including a placing commission at 3% of the principal amount of the Placing CB successfully placed by the Placing Agent. The net proceeds from the Placing will be used to finance the cash portion of the Consideration payable at Completion.

REASONS FOR AND BENEFIT OF THE ACQUISITION AND THE PLACING

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

The performance of the intelligent system business of the Group has been declining since the 2008 world economic turmoil. This is because the Group mainly provided its services to residential properties in the PRC upon completion of the construction and with the economic downturn, the number of real estates completed also decreased. To brace itself from future fluctuations due to economic cycles, the Group is in the course of reviewing its intelligent system business, in particular the viability of expanding this business into other sectors other than residential properties.

The Group currently through its subsidiaries, Shijiazhuang Xunhua and Shijiazhuang Enjian, engaged in the business of design, production and publication of outdoor advertisements in the PRC. Shijiazhuang Xunhua holds licences for the advertising rights for all the double-decker buses and bus stations and Shijiazhuang Enjian holds licence for all the single-decker buses. The single-decker buses, double-decker business and bus stations are operated and owned by 石家莊市公共交通總公司 (Shijiazhuang City General Public Transportation Company Limited*) (the “Local Bus Company”). The Local Bus Company operates and owns approximately 2,100 single-decker buses, 12 double-decker buses and 1,544 bus stations in Shijiazhuang City, Hebei Province, the PRC. Shijiazhuang Xunhua and Shijiazhuang Enjian derive revenue from the contracts for displaying advertisements on bus bodies and bus stations, just the way the Redgate Ventures Group derives revenue from contracts for displaying outdoor advertisements on billboards and light boxes, amongst other locations. Hence, there is a synergy between the present business of the Group and those of the Redgate Ventures Group, in terms of business model and source of revenue.

In addition, on 13 July 2011, the Group completed the acquisition of 19% interest in China New Media (HK) Company Limited (“CNM”) from Win Today Limited for a consideration of HK\$78,000,000 to be satisfied partly in cash and as to HK\$39,000,000 by issue of convertible bonds (the “**CNM Convertible Bonds**”). CNM engages in outdoor advertising in Hong Kong, specializing in advertising spaces in lifts and outer walls of buildings.

The Directors (including the independent non-executive Directors other than Ms. Au Yuk Kit who has not been counted as a quorum at the meeting of the Board and has abstained from voting on the relevant resolutions) consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including but limited to the issue of the Promissory Notes and the Convertible Notes) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is the intention of the Company to continue with its existing business after Completion. The Company has not entered into any agreement, arrangement, understanding or undertaking, whether formal or informal, express or implied, and negotiation (whether concluded or not) to dispose of or downsize its existing business.

It is necessary to raise funds to finance the payment of the balance of the cash portion of the Consideration. It is considered that the Placing represents a good opportunity to raise the required funds without an immediate dilution impact on the existing Shareholders. The Directors (including the independent non-executive Directors other than Ms. Au Yuk Kit who has not been counted as a quorum at the meeting of the Board and has abstained from voting on the relevant resolutions) consider that the terms of the Placing Agreement and the Placing are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

* For identification purpose only

SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company (i) as at the date of this announcement; (ii) immediately upon Completion and full conversion of the Placing CB (assuming no conversion of the Convertible Notes); and (iii) after Completion, the full conversion of the Placing CB and the conversion of the Convertible Notes up to 29.00% of the enlarged issued share capital of the Company.

| | (i) As at the date of this announcement | | (ii) Immediately upon Completion and full conversion of the Placing CB (assuming no conversion of the Convertible Notes) | | (iii) After Completion, the full conversion of the Placing CB and the conversion of the Convertible Notes up to 29.00% of the enlarged issued share capital of the Company (Note 3) | |
|---|---|-------------|--|-------------|---|-------------|
| | Number of Shares | Percentage | Number of Shares | Percentage | Number of Shares | Percentage |
| Vendors, Redgate CB Holders and parties acting in concert with them | – | – | – | – | 253,802,245 | 29.00% |
| Placees | – | – | 526,315,789 | 84.70% | 526,315,789 | 60.14% |
| Existing public Shareholders | 95,062,123 | 100% | 95,062,123 | 15.30% | 95,062,123 | 10.86% |
| Total | 95,062,123 | 100% | 621,377,912 | 100% | 875,180,157 | 100% |

Notes:

- As at the date of this announcement, there are 634,073 options outstanding to subscribe for Shares. The table above assumes that there is no exercise of the outstanding options.
- As at the date of this announcement, the Company has outstanding convertible notes in the principal amounts of HK\$43,400,000, including the CNM Convertible Bonds.
- The terms of the Convertible Notes contain restrictions on conversion, including among others, (i) if the exercise the conversion rights to the extent that following such conversion, the holder of the Convertible Notes and parties acting in concert with it, will directly or indirectly, control or be interested in more than 29% of the then issued share capital of the Company; or (ii) that the Company's minimum public float requirements under the GEM Listing Rules could not be maintained. Particulars are set out in the sub-paragraph headed "Major Terms of the Convertible Note(s) – Undertaking" above.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST TWELVE MONTHS

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

| Date of announcement | Event | Net proceeds HK\$ (approximately) | Intended use of proceeds HK\$ (approximately) | Actual use of proceeds as at the date of this announcement HK\$ (approximately) |
|-----------------------------|---|--|--|--|
| 4 October 2010 | Placing of 170,000,000 shares | 16.3 million | General working capital | – 7.97 million has been used for general working capital of the Group – the remaining balance of 8.33 million has been used for investment in securities |
| 28 October 2010 | Rights issue of 1,200,282,120 shares | 207.65 million | – 103 million for repayment of outstanding convertible bonds – 30 million for general working capital – 30 million for developing and expanding the Group's advertising related business – the balance for capturing future investment opportunities when the same arise | – 3.6 million has been used for investment in securities – 94.12 million has been used for repayment of outstanding convertible bonds – 39 million has been used to pay for the acquisition of an advertising business – 57.11 million has been used as deposit for the acquisition of advertising business in the PRC – 13.82 million has been used for general working capital |
| 7 March 2011 | Placing of 264,062,079 shares | 15.01 million | General working capital | – 15.01 million has been used as deposit for the acquisition of an advertising business in the PRC |
| 21 June 2011 | Placing of 316,870,000 shares | 6.65 million | General working capital | – 6.65 million has been used as deposit for acquisition of an advertising business in the PRC |

GEM LISTING RULES IMPLICATIONS

Based on the relevant percentage ratios calculations under the GEM Listing Rules, the entering into of the Sale and Purchase Agreement constitutes a very substantial acquisition for the Company and is therefore subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

The entering into of the Placing Agreement constitutes a connected transaction for the Company. As the aggregate amount of commission paid to the Placing Agent in the 12 months preceding the date of the Placing Agreement and to be paid under the Placing Agreement amounts to HK\$15,071,632.75, the entering into of the Placing Agreement with the Placing Agent is subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.17 of the GEM Listing Rules. As none of the Shareholders is interested in the Placing Agreement, all Shareholders can vote in respect of the resolution for approving the Placing Agreement at the Special General Meeting.

A circular containing, among other things, (i) information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) information on the Redgate Ventures Group; (iii) information on the Placing and the Placing CB; (iv) financial information of the Group; (v) financial information of the Redgate Ventures Group; (vi) pro forma financial information of the Enlarged Group; (vii) letter from the Independent Board Committee; (viii) letter from the Independent Financial Adviser in relation to the entering into of the Placing Agreement with the Placing Agent; and (ix) notice of the Special General Meeting, will be despatched to the Shareholders on or before 31 October 2011 to allow sufficient time to prepare financial information to be included in the circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on Monday, 11 July 2011 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on Friday, 22 July 2011.

DEFINITIONS

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

| | |
|------------------------|--|
| “Acquisition” | the acquisition of the entire issued share capital of Redgate Ventures and Redgate Conversion Shares by the Company from the Vendors and the Redgate CB Holders as contemplated under the Sale and Purchase Agreement; |
| “Board” | the Board of Directors; |
| “Bondholder(s)” | holder(s) of the Placing CB; |
| “Business Day” | a day (other than Saturday or Sunday) on which banks are generally open in Hong Kong for normal business; |
| “BVI” | the British Virgin Islands; |
| “CB Conversion Shares” | new Shares to be issued upon the exercise by the Bondholders of the conversion rights attached to the Placing CB; |
| “CB Conversion Price” | HK\$0.38 per Share, being the initial price per Share (subject to adjustment) at which the Placing CB may be converted and is the same as the Conversion Price; |
| “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 Acquisition pursuant to the Sale and Purchase Agreement, or where applicable, completion of the Placing pursuant to the Placing Agreement; |
| “Completion Date” | date of Completion; |
| “connected person(s)” | has the meaning ascribed thereto under the GEM Listing Rules; |

* For identification purpose only

| | |
|-------------------------------|---|
| “Consideration” | the consideration of HK\$1,940,704,206 for acquisition of the Sale Shares and the Redgate Conversion Shares under the Sale and Purchase Agreement; |
| “Conversion Price” | HK\$0.38 per Share, being the initial price per Share (subject to adjustment) at which the Convertible Notes may be converted; |
| “Conversion Share(s)” | new Shares to be issued upon the exercise by the holders of the conversion rights attached to the Convertible Notes; |
| “Convertible Notes” | the convertible notes in the aggregate principal amount of HK\$1,490,704,206 to be issued by the Company to the Vendors and the Redgate CB Holders as settlement of part of the Consideration; |
| “Deposit” | the amount of HK\$80,000,000 paid to the Second Vendor on the date of the Sale and Purchase Agreement; |
| “Director(s)” | the director(s) of the Company; |
| “Enlarged Group” | the Group and the Redgate Ventures Group; |
| “First Vendor” | Media Chief Limited, a company incorporated in the BVI with limited liability; |
| “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 Board Committee” | the board committee comprising Ms. Wong On Yee and Ms. Lu Di, both of whom are independent non-executive Directors, to be constituted to advise the Shareholders, other than those who are interested in the Placing Agreement, on the Placing Agreement; |

| | |
|---------------------------------|--|
| “Independent Financial Adviser” | the financial adviser to be appointed to advise the Independent Board Committee and the Shareholders, other than those who are interested in the Placing Agreement, on entering into the Placing Agreement; |
| “Independent Third Party(ies)” | third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, independent of and not connected with the Company and connected persons of the Company; |
| “Last Trading Day” | 8 July 2011, being the last day on which the Shares were traded on the Stock Exchange immediately preceding the publication of this announcement and the date of the Sale and Purchase Agreement and the Placing Agreement, respectively; |
| “Long Stop Date” | 31 December 2011; |
| “PRC” or “China” | The People’s Republic of China, which for the sole purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan; |
| “PRC Entities” | Redgate Interactive, Shanghai Dianguang, Beijing Yanhuang and its subsidiaries and each a “ PRC Entity ”; |
| “Placing” | the placing of the Placing CB pursuant to the Placing Agreement; |
| “Placing Agent” | Cheong Lee Securities Limited, a corporation licenced to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); |
| “Placing Agreement” | the placing agreement dated 8 July 2011 entered into between the Company and the Placing Agent in relation to the Placing; |
| “Placing CB” | the convertible bonds in the aggregate principal amount of HK\$200,000,000 to be placed by the Company pursuant to the Placing Agreement; |
| “Placee(s)” | the placee(s) of the Placing CB; |

| | |
|-------------------------------|---|
| “Promissory Notes” | the promissory notes to be executed by the Company to satisfy part of the Consideration; |
| “Redgate CB” | convertible bonds in the principal amount of US\$9,747,633.10 convertible into shares of Redgate Ventures; |
| “Redgate CB Holder(s)” | holder(s) of the Redgate CB; |
| “Redgate Conversion Shares” | new shares of US\$0.01 each in the capital of Redgate Ventures to be allotted and issued upon the automatic conversion of the Redgate CB immediately before Completion; |
| “Redgate Ventures” | Redgate Ventures Limited, a company incorporated in the BVI with limited liability and owned as to 55% by the First Vendor and as to 45% by the Second Vendor, as at the date of this announcement; |
| “Redgate Ventures Group” | Redgate Ventures and its subsidiaries; |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 8 July 2011 entered into between the Company and the Vendors in relation to the Acquisition; |
| “Sale Shares” | 10,000,000 shares of US\$0.01 each in the share capital of Redgate Ventures, the entire issued and fully paid-up share capital thereof as at the date of this announcement; |
| “Second Vendor” | Carraway Holdings Limited, a company incorporated in the BVI with limited liability; |
| “Shijiazhuang Enjian” | 石家莊市恩健傳媒有限公司 (Shijiazhuang Municipal En Jian Media Company Limited*), a wholly owned subsidiary of the Company; |
| “Shijiazhuang Xunhua” | 石家莊市迅華德高公交廣告有限公司 (Shijiazhuang Municipal Xun Hua De Gao Bus Advertising Company Limited*), a 80% indirectly owned subsidiary of the Company; |
| “Share(s)” | ordinary share(s) of HK\$0.001 each in the issued share capital of the Company; |

* For identification purpose only

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|---------------------------|---|
| “Shareholder(s)” | holder(s) of Share(s); |
| “Special General Meeting” | the special general meeting of the Company to be convened for approving, among others, the Acquisition as contemplated under the Sale and Purchase Agreement, the Placing Agreement, the issue and allotment of the Conversion Shares and the CB Conversion Shares; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Vendors” | the First Vendor and the Second Vendor; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “US\$” | United States dollars, the lawful currency of the United States of America; and |
| “%” | per cent. |

In this announcement, all amounts in: US\$ are converted into HK\$ at the exchange rate of US\$1.00 : HK\$7.80. The conversion rate is for the purpose of illustration only and does not constitute a representation that any amounts have been, would have been, or may be exchanged at the aforementioned or any other rates.

*Certain English translations of Chinese names or words marked with * in this announcement are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.*

By order of the Board
Inno-Tech Holdings Limited
Chen Chuan
Chairman

Hong Kong, 21 July 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. Au Yuk Kit, Ms. Wong On Yee 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.