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INNO-TECH HOLDINGS LIMITED

匯 創 控 股 有 限 公 司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8202)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE SPA

On 13 December 2019 (after trading hours), the Company and the Purchaser entered into the SPA, pursuant to which the Purchaser has agreed to acquire the Sale Shares and the Company has agreed to sell the Sale Shares at the Consideration of HK\$500,000. The Sale Shares represent the entire issued share capital of the Target Company.

Completion has taken place simultaneously upon the signing of the SPA on 13 December 2019. Upon Completion, the Target Company has ceased to be a subsidiary of the Company and the Company has ceased to have any interest in the Target Company. The financial results of the Target Group will no longer be consolidated in the consolidated financial statements of the Group following the Completion.

GEM LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceed 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

* For identification purposes only

INTRODUCTION

On 13 December 2019 (after trading hours), the Company and the Purchaser entered into the SPA, pursuant to which the Purchaser has agreed to acquire the Sale Shares and the Company has agreed to sell the Sale Shares at the Consideration of HK\$500,000. The Sale Shares represent the entire issued share capital of the Target Company.

The principal terms of the SPA are set out below.

THE SPA

Date

13 December 2019 (after trading hours)

Parties

- (i) the Company (as vendor); and
- (ii) Purchaser (as purchaser).

The Purchaser is a merchant and experienced in advertising business in the PRC. As at the date of this announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be disposed

The Sale Shares represent the entire issued share capital of the Target Company.

Consideration

Pursuant to the terms of the SPA, the Consideration of HK\$500,000 was paid by the Purchaser to the Company in cash upon Completion.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser and was determined with reference to among others, (i) the net liabilities position and historical loss-making business performance of the Target Group; and (ii) the reasons for and benefits of the Disposal described in the section headed "Reasons for and benefits of the Disposal" below.

Waiver of inter-company loan owed by the Target Group to the Remaining Group

Pursuant to the SPA, the inter-company loan (in the amount of approximately HK\$2.5 million as at 30 June 2019) owed by the Target Group to the Remaining Group was waived upon Completion (the "**Waiver**").

Completion

Completion has taken place simultaneously upon the signing of the SPA on 13 December 2019. Upon Completion, the Target Company has ceased to be a subsidiary of the Company and the Company has ceased to have any interest in the Target Company. The financial results of the Target Group will no longer be consolidated in the consolidated financial statements of the Group following the Completion.

INFORMATION ON THE TARGET GROUP

The Target Group comprised of the Target Company, Super Venus, Ningbo Venus and Shijiazhuang Enjian.

The Target Company is an investment holding company incorporated in the BVI with limited liability on 19 May 2010 with no operation, which is wholly-owned by the Company immediately prior to the Completion. Super Venus is an investment holding company incorporated in Hong Kong with limited liability on 11 June 2010 with no operation, which is wholly-owned by the Target Company. Ningbo Venus is an investment holding company and a wholly foreign-owned enterprise incorporated in the PRC on 7 May 2009 with no operation, which is wholly-owned by Super Venus.

Shijiazhuang Enjian is a company incorporated in the PRC on 28 April 2011 which is wholly-owned by Ningbo Venus. Shijiazhuang Enjian was principally engaged in provision of design, production and publication of outdoor advertising on over 2,000 single-decker buses, 12 double-decker buses and over 2,000 bus stations operated by a bus company in the Shijiazhuang, PRC. However, due to the Incident (as discussed below), Shijiazhuang Enjian maintained minimal operation with no substantial business subsequent to December 2018.

Financial information of the Target Group

Set out below are the unaudited consolidated financial information of the Target Group as prepared in accordance with Hong Kong Financial Reporting Standards for the two financial years ended 30 June 2018 and 2019:

	For the year ended 30 June 2019	For the year ended 30 June 2018
	<i>approximate HKD'000 (unaudited)</i>	<i>approximate HKD'000 (unaudited)</i>
Turnover	4,214	29,733
Net loss before taxation	(2,795)	(25,058)
Net loss after taxation	(2,795)	(25,058)

According to the unaudited consolidated financial information of the Target Group, the Target Group recorded an unaudited net liabilities of approximately HK\$37.8 million as at 30 June 2019.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Target Company has ceased to be a subsidiary of the Company and the Company has ceased to have any interest in the Target Company. The financial results of the Target Group will no longer be consolidated in the consolidated financial statements of the Group following the Completion.

For illustrative purpose, it is estimated that the Company will realise an unaudited gain on the Disposal of approximately HK\$34.7 million upon Completion, being estimated based on the difference between the Consideration of HK\$500,000; and (i) the unaudited net liabilities of the Target Group as at 30 June 2019 of approximately HK\$37.8 million (before waiver of the inter-company loan of approximately HK\$2.5 million as at 30 June 2019 which was waived upon Completion); (ii) waiver of the inter-company loan upon Completion; and (iii) the expenses attributable to the Disposal of approximately HK\$1,130,000. The estimated gain to be derived from the Disposal has not taken into account the potential tax impact upon Completion. Shareholders should note that the exact financial effect of the Disposal is subject to the review and approval of the auditors of the Company.

It is currently intended to apply the gross proceeds for general working capital for the year ending 30 June 2020. The expenses attributable to the Disposal of approximately HK\$1,130,000 will be financed by the Company's internal resources.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As at the date of the announcement, the Group is principally engaged in (i) provision of outdoor advertising business through different advertising media network; (ii) television advertising operation; (iii) the event management business; (iv) seafood business; and (v) money lending business in Hong Kong.

Prior to the Completion, the Group participated in the provision of the outdoor advertising on buses and bus stations (the "**Bus Ad Business**") through the Target Group. The Target Group recorded loss for the past nine financial years from 2011 to 2019. The Directors consider that the business performance of the Target Group has been deteriorating. Revenue of the Target Group decreased by approximately 85.9% from approximately HK\$29.7 million for the year ended 30 June 2018 (the "**YE 2018**") to approximately HK\$4.2 million for the year ended 30 June 2019 (the "**YE 2019**"). In addition, the Target Group recorded net loss of approximately HK\$25.1 million and approximately HK\$2.8 million for YE 2018 and YE 2019 respectively.

The ability of the Target Group to generate the revenue primarily hinges on its exclusive advertising rights for the buses and bus stations in Shijiazhuang, the PRC which were owned and operated by a bus company (the "**Advertising Network**"). However, in December 2018, the Target Group was unable to extend the existing licenses (the "**Licenses**") for exclusive advertising rights of the Advertising Network (the "**Incident**"). The expiry dates of the Licenses of single-decker buses and bus stations were 30 April 2019 and 31 December 2019 respectively. There is no expiry date for the Licenses of double-decker buses. As a consequence, following expiration of the Licenses, it would hinder the Target Group's ability to offer media resources to the customers and would hamper foregoing operation of the Target Group. The provision of advertising on the single-decker buses (whose License was expired on 30 April 2019) was the most popular among the Advertising Network. The

advertising revenue generated from the single-decker buses accounted for approximately 96% of the total revenue of the Bus Ad Business for the year ended 30 June 2018 and 30 June 2019.

Taking into account the unsatisfactory historical performance of the Target Group and the failure on extension of Licenses, the Directors are uncertain about the future prospects of the Target Group. In this connection, the Directors are of the view that the Disposal represents an opportunity for the Group to divest and realise its investment in the Target Group so as to reallocate the Group's financial resources to the Remaining Group in order to optimize the operational efficiency and to improve the Group's profitability by removing the loss incurred from the Target Group.

Having considered (i) the Incident and the Target Group has continuously reported losses since 2011, it is unlikely that the Target Group will be able to turn around from its loss making position or recover from its net liabilities position or any material part of the inter-company loan; and (ii) the estimated gain on the Disposal, the Directors are of the view that the Consideration and the Waiver are fair and reasonable.

Taking into consideration of the aforesaid, the Directors consider that the terms of the Disposal are fair and reasonable and are on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceed 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Inno-Tech Holdings Limited (Stock Code: 8202), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the GEM
“Completion”	the completion of the Disposal
“Completion Date”	the date of the SPA, being 13 December 2019
“Consideration”	the consideration for the Disposal, being HK\$500,000
“Director(s)”	director(s) of the Company

“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser pursuant to the SPA
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined in the GEM Listing Rules)
“Ningbo Venus”	寧波晶星嬰童家居用品有限公司 (Ningbo Venus Kids Furniture Company Limited), a wholly foreign-owned enterprise incorporated in the PRC
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Purchaser”	Mr. Yuen Siu Fai
“Remaining Group”	the Group excluding the Target Group after Completion
“Sale Shares”	10,000 fully paid up ordinary shares in the share capital of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shijiazhuang Enjian”	Shijiazhuang Enjian Bus Advertising Co. Limited* (石家莊恩健公交廣告有限公司), a limited liability company established under the laws of the PRC and is indirect wholly-owned by the Company
“SPA”	the sale and purchase agreement dated 13 December 2019 and entered into by the Company and the Purchaser in respect of the Disposal
“Super Venus”	Super Venus Media International Limited, a company incorporated in Hong Kong with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Active Link Investments Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company, Super Venus, Ningbo Venus and Shijiazhuang Enjian
“%”	per cent.

* for identification purpose only

By Order of the Board
Inno-Tech Holdings Limited
Wong Kam Fai
Executive Director

Hong Kong, 13 December 2019

As at the date of this announcement, the Directors are:

Executive Directors:

Mr. Zheng Pin (*Chairman*)

Mr. Wong Kam Fai (*Chief executive officer*)

Dr. Chan Yiu Wing

Mr. Zhou Wenyu

Non-executive Director:

Mr. Cao Xinhua

Independent non-executive Directors:

Mr. Wong Shun Loy

Mr. Tsang Ho Yin

Mr. Yam Chun Yin

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.

This announcement will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for at least 7 days from the date of this posting and on the website of the Company at www.it-holdings.com.hk.