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邁特科技集團有限公司*
MEDTECH GROUP COMPANY LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 1031)

**(1) VERY SUBSTANTIAL ACQUISITION –
PROPOSED ACQUISITION OF THE ENTIRE INTEREST IN
HANG HUO HOTEL COMPANY LIMITED;
(2) VERY SUBSTANTIAL DISPOSAL –
PROPOSED DISPOSAL OF INTEREST IN AN ASSOCIATED COMPANY;
AND
(3) RESUMPTION OF TRADING**

Financial adviser to Medtech Group Company Limited



KINGSTON CORPORATE FINANCE LIMITED

(1) Very substantial acquisition

The Board is pleased to announce that on 6 January 2005, Next Champion, a wholly-owned subsidiary of the Company, and the Vendors entered into the Provisional Sale and Purchase Agreement, pursuant to which Next Champion agreed to acquire i) the entire shareholding interest in Hang Huo Holdings (which holds 99% shareholding interest in Hang Huo Hotel), as to 20% equally from each of Vendor A, Vendor B, Vendor C, Vendor D and Vendor E; and ii) 1% shareholding interest in Hang Huo Hotel from Vendor D at a total consideration of HK\$1.25 billion. Upon completion of the Acquisition, Next Champion will be beneficially interested in the entire interest of Hang Huo Hotel whose principal asset is Hotel Casa Real.

The Consideration shall be satisfied by (i) as to HK\$750 million in cash to the Vendors, (a) HK\$50 million of which has been paid by Next Champion as the first instalment deposit to the Vendors within three business days after the signing of the Provisional Sale and Purchase Agreement; (b) HK\$75 million of which will be paid by Next Champion as the second instalment deposit to the Vendors within three business days after the two-week due diligence work completed by Next Champion where such due diligence work will commence upon receipt of information from the Vendors within 5 days after the signing of the Provisional Sale and Purchase Agreement; and (c) the remaining balance of which will be paid by Next Champion to the Vendors upon completion of the Acquisition; and (ii) as to the remaining balance of HK\$500 million by issue of not more than 1,100,000,000 new Shares to the Vendors (in their capacities as the shareholders of the Hang Huo Holdings) (i.e. equivalent to HK\$0.4545 per Consideration Share).

Under the Listing Rules, the Acquisition constitutes a very substantial acquisition in respect of the Company, and the Acquisition and the issue of the Consideration Shares are subject to approval by Shareholders at the SGM. The Company will, in compliance with the Listing Rules, convene the SGM to seek the approval of the Shareholders for the Acquisition and the issue of the Consideration Shares, and the approval of the Stock Exchange for the listing of and permission to deal in the Consideration Shares. Next Champion and the Vendors will enter into the Formal Sale and Purchase Agreement within 30 days from the date of signing of the Provisional Sale and Purchase Agreement. Completion of the Acquisition is expected to take place on or before 6 April 2005.

The Acquisition constitutes a very substantial acquisition in respect of the Company under the Listing Rules and therefore is subject to approval by Shareholders at the SGM under Rule 14.49 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting for the approval of the Acquisition at the SGM.

An announcement will be made upon signing of the Formal Sale and Purchase Agreement on the details of the terms and conditions of the Acquisition, which are based on the principal terms of the Provisional Sale and Purchase Agreement.

(2) Very substantial disposal

The Board also announces that on 10 January 2005, Win Matching, a wholly-owned subsidiary of the Company, and Sky Beyond entered into the Disposal Agreement, pursuant to which Win Matching agreed to dispose of its entire 35% shareholding interest in Starway to Sky Beyond at a consideration of HK\$52,000,000 in cash. It is estimated that a profit of HK\$2,000,000 will be realized as a result of the Disposal.

Completion of the Disposal is conditional upon, amongst others, the passing of an ordinary resolution by the Shareholders at the SGM for approving the Disposal. Completion of the Disposal is expected to take place on the third business day after fulfilment of the conditions of the Disposal.

The Disposal constitutes a very substantial disposal in respect of the Company under the Listing Rules and therefore is subject to approval by Shareholders at the SGM under Rule 14.49 of the Listing Rules. At the SGM, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting for the approval of the Disposal.

(3) General

The SGM will be held to consider and, if thought fit, pass the resolutions to approve the Acquisition and the Disposal. Circular containing, amongst other things, further details of the Acquisition and the Disposal and other disclosures in connection with the Acquisition and the Disposal required pursuant to the Listing Rules in respect of very substantial acquisition and very substantial disposal, and together with notice of SGM for the purpose of approving the Acquisition and the Disposal will be despatched to the Shareholders in accordance with the Listing Rules, i.e. within 21 days after publication of this announcement.

(4) Resumption of trading

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 6 January 2005 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 20 January 2005.

* For identification purposes only

THE ACQUISITION

The Provisional Sale and Purchase Agreement

Date: 6 January 2005

Parties:

Purchaser: Next Champion, being a wholly-owned subsidiary of the Company

- Vendors:**
- (i) Mr. Ngan In Leng (Vendor A), Ms. Chan Wai Ian (Vendor B), Mr. Ngan Iek (Vendor C), Ms. Ngan Iek Chan (Vendor D) and Ms. Ngan Iek Peng (Vendor E), each of whom beneficially owns 20% shareholding interest in Hang Huo Holdings, i.e. in aggregate the entire interest in Hang Huo Holdings which in turn holds 99% shareholding interest in Hang Huo Hotel; and
 - (ii) Ms. Ngan Iek Chan (Vendor D) who beneficially owns the remaining 1% shareholding interest in Hang Huo Hotel.

All the Vendors belong to the same family and the principal business activities engaged by the family include property development, investment and management, manufacturing, agriculture and hotel management. The Company approached the Vendors through the introduction by Mrs. Chu Yuet Wah, a proposed consultant of the Company, who was acquainted with the Vendors in social occasion.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made reasonable enquiries, the Vendors are independent of i) the Company; ii) the connected persons (as defined under the Listing Rules) of the Company; iii) Mrs. Chu and her associates; iv) Mr. Lee, Choose Right Limited and their associates; v) SJM, its ultimate beneficial owners and their respective associates (save for the agreement entered into between Hang Huo Hotel and SJM); vi) Ms. Leong On Kei and her associates; vii) Mr. Chan Man Si and his associates; and viii) Sky Beyond, its ultimate beneficial owners and their respective associates.

Assets to be acquired

The entire beneficial interest in Hang Huo Hotel, whose principal asset is Hotel Casa Real, indirectly through the proposed acquisition of i) 100% shareholding interest in Hang Huo Holdings, which in turn holds 99% shareholding interest in Hang Huo Hotel, from the Vendors; and ii) 1% shareholding interest in Hang Huo Hotel from Vendor D.

For further information on Hotel Casa Real, please refer to the section headed "Information on Hang Huo Hotel and Hotel Casa Real" in this announcement.

Consideration

The Consideration of HK\$1.25 billion shall be satisfied by:

- (i) as to HK\$750 million in cash to the Vendors,
 - (a) HK\$50 million of which has been paid by Next Champion as the first instalment deposit within three business days after the signing of the Provisional Sale and Purchase Agreement, i.e. on 11 January 2005;
 - (b) HK\$75 million of which will be paid by Next Champion as the second instalment deposit within three business days after the two-week due diligence work completed by Next Champion where such due diligence work will commence upon receipt of information from the Vendors within 5 days after the signing of the Provisional Sale and Purchase Agreement provided that in the event the Purchaser, after the due diligence work, consider that it is inappropriate to proceed with the Acquisition, the Acquisition shall be cancelled; and
 - (c) the remaining balance of HK\$625 million will be paid by Next Champion to the Vendors upon completion of the Acquisition; and
- (ii) as to the remaining balance of HK\$500 million by the issue of not more than 1,100,000,000 new Shares to the Vendors (in their capacities as the shareholders of Hang Huo Holdings) (i.e. equivalent to HK\$0.4545 per Consideration Share).

The Consideration will be adjusted such that any liabilities, which will be based on the audited completion accounts on the date of completion of the Acquisition, will be deducted from the Consideration. The Vendors represented that such liabilities would not be more than HK\$160 million which were based on an estimation of the outstanding bank loans of Hang Huo Hotel on the date of completion of the Acquisition. Any such adjustment will be made by corresponding deduction of the cash Consideration of HK\$750 million.

The cash Consideration of HK\$750 million has been/will be financed as to approximately HK\$272.2 million by internal resources of the Group as under the fund raising by the top-up placing of shares as announced by the Company on 17 December 2004 and as to the balance of HK\$477.8 million by further fund raising exercises or bank financing on or before completion of the Acquisition. As at the date of this announcement, the Company is considering some fund raising exercises, including placing of shares or debts, however no decision has been made. An announcement will be made by the Company for any fund raising exercise in compliance with the Listing Rules.

The 1,100,000,000 Consideration Shares will be issued as part of the consideration for the Acquisition at the price of HK\$0.4545 per Consideration Share, representing (i) a discount of approximately 15.83% to the closing price of the Shares of HK\$0.54 on 5 January 2005, being the last trading day immediately before the publication of this announcement; (ii) a discount of approximately 14.41% to the 5-day average closing price of the Shares of approximately HK\$0.531 taking into account the trading days immediately before the publication of this announcement; and (iii) a discount of approximately 8.09% to the 10-day average closing price of the Shares of approximately HK\$0.4945 taking into account the trading days immediately before the publication of this announcement. Based on the closing price of the Shares of HK\$0.54 on 5 January 2005, being the last trading day immediately before the publication of this announcement, the value of the Consideration Shares amounts to HK\$594,000,000. The number of Consideration Shares represents approximately 11.55% of the existing issued share capital of the Company and approximately 10.35% of the then issued share capital of the Company as enlarged by the issue of the Consideration Shares. The issue of the Consideration Shares is subject to Shareholders' approval at the SGM and if issued will rank *pari passu* with the existing ordinary Shares.

The Consideration was determined with reference to the verbal communication between the Vendors and Chesterton Petty Limited, an independent valuer, in respect of the approximate valuation of Hotel Casa Real as at 31 December 2004 at about HK\$1,400,000,000 and after arm's length negotiation between Next Champion and the Vendors. The price of HK\$0.4545 for the issue of the Consideration Shares was negotiated in arm's length between Next Champion and the Vendors and was determined with reference to the recent Share price performance. Next Champion has commenced its due diligence work in connection with the Acquisition.

Conditions

Under the Provisional Sale and Purchase Agreement, the parties shall execute the Formal Sale and Purchase Agreement, the terms and conditions of which are yet to be finalized based on the terms of the Provisional Sale and Purchase Agreement, within 30 days from the date of signing of the Provisional Sale and Purchase Agreement. In the event that the Formal Sale and Purchase Agreement shall not be entered into within the stipulated period, the Provisional Sale and Purchase Agreement shall be cancelled and be of no further effect.

Under the Listing Rules, the Acquisition constitutes a very substantial acquisition in respect of the Company, and the Acquisition and the issue of the Consideration Shares are subject to approval by Shareholders at the SGM. The Company will, in compliance with the Listing Rules, convene the SGM to seek the approval of the Shareholders for the Acquisition and the issue of the Consideration Shares, and the approval of the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

The Company will, prior to completion of the Acquisition, obtain a legal opinion which will cover, *inter alia*, the validity and/or legality of i) the acquisition of Hotel Casa Real in which SJM is operating a casino; and ii) the existing arrangements for operation of the Casa Real Casino including the operations of the gaming activities by the SJM under the agreement entered into between Hang Huo Hotel and SJM, and the activities carried out by the syndicates, all being in compliance with the Macau Laws and not in contravention of the Gambling Ordinance of the Laws of Hong Kong. Completion of Acquisition is subject to the obtaining of the said legal opinion confirming the validity and/or the legality of the foregoing matters.

Pursuant to the Provisional Sale and Purchase Agreement, the latest time for completion of the Acquisition is on the 90th day after the signing of the Provisional Sale and Purchase Agreement, i.e. 6 April 2005 or any extension therefrom.

In the event that i) the information provided by Vendors regarding Hang Huo Holdings, Hang Huo Hotel and Hotel Casa Real is not true or is misleading; ii) the Acquisition cannot proceed due to any issue in connection with the shareholdings of Hang Huo Hotel; iii) the Formal Sale and Purchase Agreement cannot be entered into or the Acquisition cannot be completed due to reason(s) on the part of the Vendors; or iv) there is any force majeure event, the Acquisition shall be cancelled and the Vendors are required to return all deposit payments paid by Next Champion for the Acquisition. In other words, should the Acquisition not be able to proceed as a result of the default of the Vendors under the above-mentioned events, all deposit payments paid by Next Champion will be returned to Next Champion.

It is set out in the Provisional Sale and Purchase Agreement that in the event that the Acquisition could not be completed within 90 days from the date of the Provisional Sale and Purchase Agreement (the "Latest Completion Date"), Next Champion is entitled to procure a third party to enter into a new sale and purchase agreement with the Vendors within 30 days from the Latest Completion Date and such third party will pay the aggregate deposit payments of HK\$125 million to Next Champion. In this regard, the Directors are of the view that this provision under the Provisional Sale and Purchase Agreement would serve the purpose of, to certain extent, protecting Next Champion from suffering any potential loss in the event that the Acquisition cannot be completed by Next Champion, that is the forfeiture of the deposit by the Vendors. Whereas i) the Acquisition could not be completed within the Latest Completion Date; and ii) Next Champion is not able to procure a third party to enter into a new Sale and Purchase Agreement with the Vendors within 30 days from the Latest Completion Date, then the aggregate deposit payments of HK\$125 million paid by Next Champion will be forfeited to the Vendors.

Information on Hang Huo Hotel and Hotel Casa Real

Hang Huo Hotel is a company incorporated in Macau with limited liabilities. The principal asset of Hang Huo Hotel comprises the entire interest in Hotel Casa Real.

Location and facilities of Hotel Casa Real

Based on the information provided by the Vendors, Hotel Casa Real, previously known as Nam Yue Hotel, is a four star hotel which commenced business in 1993 and was subsequently refurbished in 2003. The hotel is located at Avenida Do Dr Rodrigo Rodrigues, No. 1086, Rua De Malaca No. 192, Macau. Hotel Casa Real has a total site area of approximately 28,815 square feet and a total floor area of approximately 440,116 square feet, with a total of 388 guests rooms. Facilities in Hotel Casa Real include swimming pool, sauna, fitness center, retail shop and gaming casino. For food and beverages, there are a Chinese restaurant, a Western restaurant and a coffee shop.

Casa Real Casino

Casa Real Casino is located in Hotel Casa Real, which is operated pursuant to an agreement entered into between Hang Huo Hotel and SJM dated 15 March 2004 for a term up to the expiry of the SJM Concession on 31 March 2020. As at the date of this announcement and to the best knowledge of the Directors, the gaming facilities in Casa Real Casino include i) 53 gaming tables in the gaming hall; ii) 6 VIP rooms (3 being in operation and 3 being in the process of decoration); and iii) 123 slot machines. Pursuant to the agreement between Hang Huo Hotel and SJM, SJM is paying to Hang Huo Hotel a monthly fee (inclusive of rental, utilities fees, maintenance costs and promotional expenses etc.) of 40% of the gross monthly profit of the casino generated in respect of the gaming tables in the gaming hall.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, there is a syndicate in each of the 6 VIP rooms in Casa Real Casino. These VIP rooms cater mainly to high-rollers and the services provided by the syndicates include marketing activities, transportation services, food and beverage services and accommodation to the VIP guests. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, the syndicates and their beneficial owners are independent of i) the Company; ii) the connected persons (as defined under the Listing Rules) of the Company; iii) Mrs. Chu and her associates; iv) Mr. Lee, Choose Right Limited and their associates; v) Ms. Leong On Kei and her associates; vi) Mr. Chan Man Si, and his associates; and viii) Sky Beyond, its ultimate beneficial owners and their respective associates. The gaming activities in the Casa Real Casino (including the VIP rooms) are operated by SJM.

It is intended that the existing arrangement for the operation of the Casa Real Casino by SJM under the same terms set out in the agreement entered into between Hang Huo Hotel and SJM will continue after the Acquisition.

To the best of the Directors' knowledge, information and believes having made all reasonable enquiries, SJM and its ultimate beneficial owners are third parties independent of each of the Vendors and their respective associates (save for the agreement entered into between Hang Huo Hotel and SJM, and the Company and the connected persons (pursuant to the Listing Rules) of the Company.

Financial information on Hang Huo Hotel

Based on its unaudited financial statements of Hang Huo Hotel, for the two years ended 31 December 2002 and 2003, Hang Huo Hotel had a net loss of MOP574,112 (or HK\$557,390 equivalent) and MOP9,154,621 (or HK\$8,887,982 equivalent) respectively and therefore no tax was paid for these two years. Since the Casa Real Casino commenced operation in 2004, the above financial figures of Hang Huo Hotel for the two years ended 31 December 2003 do not reflect any income from the casino. The Directors believe that the earnings of the Hang Huo Hotel will improve in the future after taking into account the income from the Casa Real Casino.

As at 31 December 2003, the total unaudited consolidated assets of Hang Huo Hotel amounted to MOP219,663,300 (or HK\$213,265,340 equivalent). Hang Huo Holdings is an investment holding company formed for the sole purpose of holding 99% shareholding interest in Hang Huo Hotel.

Reasons for the Acquisition

The Group is principally engaged in the manufacturing and trading of watches and watch components, the provision of electroplating services, investment holding and property holding.

Following the subscription of new Shares by Perfect View Development Limited in cash in April 2004, the Directors have been looking for investment projects with potential to diversify into other business areas and to strengthen the earnings of the Group in the long run. In view that the economy of Macau has been booming recently following i) the implementation of the Closer Economic Partnership Arrangement that stimulates business travels and mainland individuals visit to Macau; and ii) the opening of more casinos in Macau that further promotes the tourism business in Macau, the Directors are confident that participation in the hotel business with gaming entertainment will enable the Group to capture the results of economic boom in Macau. As the first step to diversify its business to hotel business with gaming entertainment, the Company entered into a provisional sale and purchase agreement to acquire the entire interest in Grandview Hotel on 24 November 2004. Given the continuing boom of the economy of Macau, the Directors consider that the Acquisition will further enhance the Company's earnings base in the future and believe that the continual strategic diversification into the hotel business with gaming entertainment in Macau is in the best interest of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also consider that the terms under the Provisional Sale and Purchase Agreement and the Consideration including the issue of Consideration Shares are fair and reasonable. As at the date of this announcement, the Group has no expertise in managing hotel business with gaming entertainment. The Company has proposed to employ Mrs. Chu and her father Mr. Lee as consultants in this regard and the Group is also currently recruiting management and staff to manage its hotel business after completion of the acquisition of Grandview Hotel and the acquisition of Hotel Casa Real.

For the year ended 31 December 2002, the audited consolidated net loss of the Company attributable to the Shareholders was approximately HK\$25,498,000 and the audited consolidated net loss of the Company before taxation is approximately HK\$25,451,000. For the year ended 31 December 2003, the audited consolidated net loss of the Company attributable to the Shareholders was approximately HK\$144,000 and the audited consolidated net profit of the Company before taxation is approximately HK\$140,000. As at 31 December 2003, the audited consolidated net asset value of the Group was approximately HK\$13,723,000. For the six months ended 30 June 2004, the unaudited consolidated net loss attributable to the Shareholders was approximately HK\$3,191,000.

General

The Acquisition constitutes a very substantial acquisition in respect of the Company under the Listing Rules and therefore is subject to approval by Shareholders at the SGM under Rule 14.49 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting for the approval of the Acquisition at the SGM.

Next Champion, a wholly owned subsidiary of the Company, is incorporated in British Virgin Islands on 6 December 2004 solely for the purpose of acquiring the interest in Hang Huo Holdings and Hang Huo Hotel.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares which will rank pari passu with the existing Shares.

SHAREHOLDING STRUCTURE OF THE COMPANY

Name of Shareholders	Existing		After completion of the acquisition of Grandview Hotel (including the issue of consideration shares for such acquisition)		After completion of the Acquisition		Assuming exercise of warrants to be issued to Sure Expert Limited ("Warrants")		Assuming exercise of all outstanding share options, convertible notes and Warrants	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Perfect View (Note 1)	4,456,300,000	46.78%	2,856,300,000	28.49%	2,856,300,000	25.67%	2,856,300,000	23.95%	2,856,300,000	21.02%
Choose Right Limited (Note 2)	–	–	400,000,000	3.99%	400,000,000	3.60%	400,000,000	3.35%	400,000,000	2.94%
Mrs. Chu (Note 3)	53,143,340	0.56%	1,253,143,340	12.50%	1,253,143,340	11.26%	2,053,143,340	17.21%	2,053,143,340	15.11%
Mr. Wong Kui Tak (Note 4)	4,000,000	0.04%	4,000,000	0.04%	4,000,000	0.04%	4,000,000	0.03%	4,000,000	0.03%
Mr. Wong King Shiu Daniel (Note 4)	28,333,333	0.30%	28,333,333	0.28%	28,333,333	0.25%	28,333,333	0.24%	28,333,333	0.21%
Vendors (Note 5)	–	–	–	–	1,100,000,000	9.89%	1,100,000,000	9.22%	1,100,000,000	8.10%
Public										
Other Shareholders	4,976,067,641	52.23%	4,976,067,641	49.63%	4,976,067,641	44.72%	4,976,067,641	41.74%	4,976,067,641	36.63%
Ms. Leong On Kei	–	–	375,000,000	3.74%	375,000,000	3.37%	375,000,000	3.14%	375,000,000	2.76%
Mr. Chan Man Si (Note 6)	8,666,666	0.09%	133,666,666	1.33%	133,666,666	1.20%	133,666,666	1.12%	133,666,666	0.98%
Holders of share options (Note 7)	–	–	–	–	–	–	–	–	661,000,000	4.86%
Holders of convertible notes (Note 7)	–	–	–	–	–	–	–	–	1,000,000,000	7.36%
Total	9,526,510,980	100.00%	10,026,510,980	100.00%	11,126,510,980	100.00%	11,926,510,980	100.00%	13,587,510,980	100.00%

Notes:

- Perfect View Development Limited ("Perfect View") is wholly owned by Mr. Cheung Yu Shum, Jenkin, being an executive Director.
- Choose Right Limited which is beneficially owned by Mr. Lee being the father of Mrs. Chu, will receive 400,000,000 Shares from Perfect View as gift upon completion of the acquisition of Grandview Hotel, details of which are set out in the announcement of the Company dated 14 December 2004.
- Mrs. Chu holds 53,133,333 Shares through Kingston Capital Limited and 10,007 Shares through Kingston Securities Limited as at the date of this announcement. Both Kingston Capital Limited and Kingston Securities Limited are controlled by Mrs. Chu. Sure Expert Limited which is wholly owned by Mrs. Chu will receive 120,000,000 Shares from Perfect View as gift and will be granted 800,000,000 warrants by the Company upon completion of the acquisition of Grandview Hotel, details of which are set out in the announcement of the Company dated 14 December 2004.
- Mr. Wong Kui Tak is an executive Director and Mr. Wong King Shiu, Daniel is an independent non-executive Director.
- To the best of the Directors' knowledge, information and belief having made reasonable enquiries, the Vendors are independent of i) the Company; ii) the connected persons (as defined under the Listing Rules) of the Company; iii) Mrs. Chu and her associates; iv) Mr. Lee, Choose Right Limited and their associates; v) SJM, its ultimate beneficial owners and their respective associates (save for the agreement entered into between Hang Huo Hotel and SJM); vi) Ms. Leong On Kei and her associates; vii) Mr. Chan Man Si, and his associates; and viii) Sky Beyond, its ultimate beneficial owners and their respective associates.
- Mr. Chan Man Si and his wife hold 8,666,666 Shares, representing approximately 0.09% of the existing issued share capital of the Company, as at the date of this announcement.
- To the best of the Directors' knowledge, information and belief having made reasonable enquiries, each of the holders of the share options and the outstanding convertible notes of the Company is independent of i) the Company; ii) the connected persons (as defined under the Listing Rules) of the Company; iii) Mrs. Chu and her associates; iv) Mr. Lee, Choose Right Limited and their respective associates; v) SJM, its ultimate beneficial owners and their respective associates; vi) Ms. Leong On Kei and her associates; vii) Mr. Chan Man Si, and his associates; and viii) Sky Beyond, its ultimate beneficial owners and their respective associates.
- In the event of exercising any outstanding share options, convertible notes and warrants after completion of the acquisition of Grandview Hotel, there may be implications under the Takeovers Code, and Perfect View, Choose Right Limited, Sure Expert Limited, Mrs. Chu, Mr. Lee, Mr. Wong Kui Tak, Mr. Wong King Shiu Daniel, Ms. Leong On Kei and Mr. Chan Man Si may be required to comply with the provisions under the Takeovers Code.

THE DISPOSAL

The Disposal Agreement

Date: 10 January 2005

Parties:

Purchaser: Sky Beyond

Vendors: Win Matching, being a wholly-owned subsidiary of the Company

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner, namely Mr. Li Hing Sing, are third parties independent of i) the Company; ii) the connected persons (as defined under the Listing Rules) of the Company; iii) Mrs. Chu and her associates; iv) Mr. Lee, Choose Right Limited and their associates; v) Ms. Leong On Kei and her associates; vi) Mr. Chan Man Si, and his associates; and vii) the Vendors and their respective associates. As at the date of this announcement to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser, its ultimate beneficial owner and their respective associates do not hold any Shares.

The Purchaser is an investment holding company for the purpose of holding the 35% shareholding interest in Starway. The Company approached Mr. Li Hing Sing through the management of the Company who was acquainted with Mr. Li Hing Sing in social occasion.

Asset to be disposed

The asset to be disposed of by the Company is its entire 35% shareholding interest in Starway which is engaged in the manufacturing and sale of advanced technology energy-saving products in the PRC. For information purpose, the 65% shareholding interest in Starway is held by China Energy Savings Technology, Inc. listed on Over-the-Counter Bulletin Board on NASDAQ.

For the years ended 31 December 2002 and 31 December 2003, Starway recorded an audited consolidated net profit after taxation of approximately HK\$13.1 million and HK\$70.2 million respectively, and recorded an audited consolidated net profit before taxation (and extraordinary items) of approximately HK\$19.9 million and HK\$85.5 million respectively. As at 31 December 2003, the total consolidated assets of Starway amount to HK\$169,419,000.

Consideration

The consideration for the Disposal is HK\$52,000,000 in cash payable upon completion of the Disposal and was determined after arm's length negotiation between Win Matching and Sky Beyond based on 4% premium over the original acquisition price of the 35% interest in Starway by Win Matching of HK\$50,000,000.

Conditions precedent

Completion of the Disposal (independent of the Acquisition) is conditional upon the passing by the Shareholders in general meeting of the ordinary resolution approving the Disposal in accordance with the relevant requirements of the Listing Rules.

It is expected that completion of the Disposal will take place on the third business day after fulfillment of the conditions of the Disposal.

Reasons for the Disposal

The Company acquired 35% shareholding interest in Starway from Eurofaith Holdings Inc. in August 2004 at a cash consideration of HK\$50 million, details of which were set out in the Company's announcement dated 15 June 2004. Notwithstanding that Starway has made profits these years, the Directors consider that the Disposal is in a step towards the realignment of the business direction of the Group in view of the new strategic business diversification direction of the Group towards the hotel business with gaming entertainment in Macau. In addition, there will be a gain on disposal of HK\$2,000,000 (being the difference between the consideration for the Disposal of HK\$52,000,000 and the original acquisition price of the 35% shareholding interest in Starway of HK\$50,000,000) as a result of the Disposal within a short period of time after the Company's acquisition of the 35% stake in Starway. The Directors also consider that the Disposal has no material impact on the existing business of the Company as the Company only holds a minority interest, being 35%, in Starway where the Company can only equity account for the results of its stake in Starway. Therefore, the Directors are of the view that the Disposal and the terms of and consideration for the Disposal are in the interest of the Company and its Shareholders as a whole.

The proceeds from the Disposal will be used for general working capital of the Group. There is no specific purpose of the application of such proceeds as at the date of this announcement.

The Group is principally engaged in the manufacturing and trading of watches and watch components, the provision of electroplating services, investment holding and property holding. After the acquisition of Grandview Hotel as announced on 14 December 2004, the Acquisition and the Disposal, completion of which are subject to conditions, the Group will strategically diversify its business to hotel business with gaming entertainment.

GENERAL

A further announcement will be made on the Acquisition upon signing of the Formal Sale and Purchase Agreement on the details of the terms and conditions of the Acquisition which are based on the principal terms of the Provisional Sale and Purchase Agreement.

The SGM will be held to consider and, if thought fit, pass the resolutions to approve the Acquisition and the Disposal. Circulars containing, amongst other things, further details of the Acquisition and the Disposal and other disclosures in connection with the Acquisition and the Disposal required pursuant to the Listing Rules in respect of the very substantial acquisition and the very substantial disposal, and together with a notice of SGM for the purpose of approving the Acquisition and the Disposal will be despatched to the Shareholders in accordance with the Listing Rules, i.e. within 21 days after publication of this announcement.

The Board has no intention to nominate new Directors as at the date of this announcement and there is no provision in the Provisional Sale and Purchase Agreement entitling the Vendors to appoint any director to the Board.

Fund raising activities in the 12 months immediately preceding the date of this announcement

Description	Announcement date	Amount raised	Date of general mandates granted	Intended use of proceeds as announced	Actual use of proceeds
Issue of 5,000,000,000 new Shares to Perfect View	9 January 2004	About HK\$50 million	N/A (such issue of Shares was approved at the special general meeting of the Company held on 6 April 2004)	Net proceeds about HK\$49 million for the general working capital of the Group or for making future investments activities	HK\$0.5 million for general working capital; HK\$48.5 million paid for the acquisition of minority interest, being 35%, in an energy saving business as disclosed in the Company's announcement dated 15 June 2004
Issue of convertible notes in an aggregate principal amount of HK\$20,000,000 at the conversion price of HK\$0.02 per Share (subject to adjustment) to the independent placees who are not connected persons of the Company	15 June 2004	About HK\$20 million	30 August 2004	Net proceeds about HK\$19.2 million for the general working capital of the Group	same as intended but not yet utilized
Placing of 992,300,000 existing Shares and top-up subscription of 992,300,000 new Shares to Perfect View	11 November 2004	About HK\$94.3 million	7 June 2004	Net proceeds of about HK\$91.8 million for possible acquisition of properties, traveling and entertainment related businesses or assets	HK\$50,000,000 was paid to Grand View Hotel Investment S.A. as deposit for the acquisition of the Grandview Hotel as announced on 14 December 2004 and the remaining HK\$41.8 million will be used for financing the acquisition of Grandview Hotel.
Placing of 330,800,000 existing Shares and top-up subscription of 330,800,000 new Shares to Perfect View	18 November 2004	About HK\$57.9 million	7 June 2004	Net proceeds of about HK\$56 million for possible acquisition of the equity interest of a hotel in Macau	Net proceeds of about HK\$56 million will be used for financing the acquisition of Grandview Hotel.
Placing of 1,587,700,000 existing Shares and top-up subscription of 1,587,700,000 new Shares to Perfect View	17 December 2004	About HK\$539.8 million	17 December 2004	Net proceeds of about HK\$524.4 million will be used as to about HK\$252.2 million for financing the acquisition of the Grandview Hotel and as to about HK\$272.2 million for any future possible acquisition.	HK\$252.2 million will be used for financing the acquisition of Grandview Hotel and HK\$272.2 million will be used for financing the Acquisition.

As at the date of this announcement, the executive Directors are Mr. Cheung Yu Shum, Jenkin, Mr. Chu Yuk Kuen, Mr. Wong Kui Tak and Mr. Ng Tak Chak, Nelson, and the independent non-executive Directors are Mr. Shum Ka Hei, Mr. Chan Chi Yuen and Mr. Wong King Shiu, Daniel.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 6 January 2005 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 20 January 2005.

DEFINITIONS

The following words and phrases used in this announcement have the following meaning:

“Acquisition”	the acquisition by Next Champion from the Vendors of 100% shareholding interest in Hang Huo Holdings and 1% shareholding interest in Hang Huo Hotel pursuant to the Provisional Sale and Purchase Agreement
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	board of the Directors
“Casa Real Casino”	casino in Hotel Casa Real being operated by SJM
“Company”	Medtech Group Company Limited, a company incorporated in Bermuda with limited liability with its issued Shares listed on the Stock Exchange
“Consideration Shares”	not more than 1,100,000,000 new Shares to be issued by the Company as part of the Consideration for the Acquisition
“Consideration”	consideration for the Acquisition, being in total of HK\$1,250,000,000
“Directors”	directors of the Company
“Disposal”	disposal of 35% shareholding interest in Starway by Win Matching pursuant to the Disposal Agreement
“Disposal Agreement”	agreement dated 10 January 2005, pursuant to which Win Matching agreed to dispose of 35% shareholding interest in Starway to Sky Beyond
“Formal Sale and Purchase Agreement”	the formal sale and purchase agreement to be entered into by Next Champion and the Vendors pursuant to the terms and conditions of the Provisional Sale and Purchase Agreement for the Acquisition
“Group”	the Company and its subsidiaries
“Hang Huo Holdings”	Hang Huo Hotel Holdings Limited, a company incorporated in the British Virgin Islands with limited liability holding 99% shareholding interest in Hang Huo Hotel
“Hang Huo Hotel”	Hang Huo Hotel Company Limited, a company incorporated in Macau with limited liability holding the entire interest in Hotel Casa Real
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Lee”	Mr. Lee Wai Man
“Mrs. Chu”	Mrs. Chu Yuet Wah
“Next Champion”	Next Champion Limited, a wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Provisional Sale and Purchase Agreement”	the provisional sale and purchase agreement dated 6 January 2005, pursuant to which Next Champion has agreed to acquire from the Vendors 100% shareholding interest in Hang Huo Holdings and 1% shareholding interest in Hang Huo Hotel for the Consideration
“Share”	ordinary share(s) of HK\$0.01 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SGM”	a special general meeting of the Company to be convened to approve, amongst other things, the Acquisition and the Disposal
“SJM”	Sociedade de Jogos de Macau, S.A., a company incorporated under the laws of Macau, is one of the three gaming concessionaires which have been granted a concession by the Macau Government to operate casinos in Macau
“SJM Concession”	the concession granted by the Macau Government to SJM to operate casino in Macau
“Sky Beyond”	Sky Beyond Investments Limited, a limited liability company incorporated in the British Virgin Islands
“Starway”	Starway Management Limited, a limited liability company incorporated under the laws of the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor A”	Mr. Ngan In Leng
“Vendor B”	Ms. Chan Wai Ian
“Vendor C”	Mr. Ngan Iek
“Vendor D”	Ms. Ngan Iek Chan
“Vendor E”	Ms. Ngan Iek Peng
“Vendors”	Vendor A, Vendor B, Vendor C, Vendor D and Vendor E
“Win Matching”	Win Matching Limited, a wholly owned subsidiary of the Company

“HK\$”	Hong Kong dollars
“MOP”	Macau Pataca, the lawful currency of Macau
“US\$”	US dollars
“%” or “per cent”	percentage

By order of the board of
Medtech Group Company Limited
Cheung Yu Shum, Jenkin
Chairman

Hong Kong, 19 January 2005

“Please also refer to the published version of this announcement in China Daily and The Standard.”