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KanHan Technologies Group Limited

看漢科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8175)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED ACQUISITION

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The Board is pleased to announce that on 4 October 2007, the Company entered into the MOU with the Vendor and Proud Dragon in relation to the proposed acquisition of the whole or part of equity interest held by the Vendor in Proud Dragon, which will hold as to 70% indirect interest in Zhong Tian Water Supply upon the completion of reorganization of Zhong Tian Water Supply.

Zhong Tian Water Supply is a company established in the PRC and is principally engaged in the provision of water supply service in the rural areas in the PRC.

This announcement is made in accordance with Rule 17.10 of the GEM Listing Rules.

The Board wishes to emphasize that no binding agreement in relation to the Proposed Acquisition has been entered into as at the date of this announcement. As the Proposed Acquisition may or may not be entered into, investors and Shareholders are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED ACQUISITION

Date: 4 October 2007

Parties:

- (i) the Company
- (ii) the Vendor
- (iii) Proud Dragon, a company incorporated in the British Virgin Islands as an investment holding company and is wholly owned by the Vendor and will hold as to 70% indirect interest in Zhong Tian Water Supply upon the completion of reorganization of Zhong Tian Water Supply

Major terms of the MOU

Under the MOU, it is proposed that the Company will acquire the whole or part of the equity interest held by the Vendor in Proud Dragon which will hold as to 70% indirect interest in Zhong Tian Water Supply upon the completion of reorganization of Zhong Tian Water Supply. Zhong Tian Water Supply is a company established in the PRC and is principally engaged in the provision of water supply service in the rural areas in the PRC.

Under the MOU, both the Company and the Vendor will proceed to the negotiation for a legally binding Formal Agreement on or before 31 January 2008 (or such later date to be agreed by the parties). The entering into of the legally-binding Formal Agreement is subject to the completion of reorganization of Zhong Tian Water Supply. It is also agreed that the Vendor will not, prior to 31 January 2008 (or such other date to be agreed by the parties), negotiate with any third party for the disposal of any equity interest in Proud Dragon. A refundable amount of HK\$3,000,000 is payable by the Company to the Vendor as earnest money within three Business Days from the date of the MOU. The deposit will be financed by the internal financial resources of the Company.

If no legally-binding Formal Agreement has been entered into on or before the aforesaid date, the sum will be refunded to the Company in full (without interest) within three Business Days thereof.

The aggregate consideration for the Proposed Acquisition has not yet been determined as at the date of this announcement and shall be subject to further negotiation between the parties thereto. It is contemplated that such consideration will be settled in cash and/or by consideration shares and/or by convertible notes and/or by promissory notes of the Company and/or in any other ways to be determined and agreed by the respective parties.

The MOU does not constitute legally-binding commitment in respect of the Proposed Acquisition. The Proposed Acquisition will be subject to the execution and completion of the Formal Agreement.

The Proposed Acquisition, if the Formal Agreement has been entered into, will also constitute a notifiable transaction pursuant to the GEM Listing Rules.

Further announcement in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.

Proud Dragon

Proud Dragon is a company incorporated in the British Virgin Islands as an investment holding company and is wholly owned by the Vendor. Proud Dragon will hold as to 70% indirect interest in Zhong Tian Water Supply upon the completion of reorganization of Zhong Tian Water Supply.

Zhong Tian Water Supply

Zhong Tian Water Supply is a company established in the PRC and is principally engaged in the provision of water supply service in the rural areas in the PRC. It owns three water supply plants, which have all commenced operation and supply water to certain villages in Dangtu County (當塗縣), Maanshan City (馬鞍山市), Anhui Province (安徽省), the PRC, which have over 280,000 inhabitants. The provision of such water supply service by Zhong Tian Water Supply is supported by the PRC Government and the construction of such three water supply plants were partially subsidised by the PRC Government.

Reasons for the Proposed Acquisition

The Company and its subsidiaries are engaged in the provision of software related service, development and marketing of patented server based technology for its real time on-line communication software platform for the Chinese language. Since May 2007, the Company has also engaged in the development, production and distribution of organic fertilizer in the PRC with a vision to actively participate in the agricultural industry in the PRC. The Directors are of the view that the business of the provision of water service in the rural areas of the PRC serves as a complement to the Group's organic fertilizer business in the PRC. The Directors are also of the view that the provision of water service business will serve to provide synergy effect to the Group's current business and enhance the competitiveness of the Group in the agricultural industry in the PRC. Therefore, the Company has decided to enter into the MOU with the Vendor and Proud Dragon so as to seek for more business opportunities and to maximize return to the Group in the long run.

This announcement is made in accordance with Rule 17.10 of the GEM Listing Rules.

The Board wishes to emphasize that no binding agreement in relation to the Proposed Acquisition has been entered into as at the date of this announcement. As the Proposed Acquisition may or may not be entered into, investors and Shareholders are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day(s)”	any day on which the Stock Exchange is open for the business in dealing securities
“Zhong Tian Water Supply”	Dang Tu Xian Zhong Tian Water Supply Limited (當塗縣中天供水有限公司), a company established in the PRC with limited liability
“Company”	KanHan Technologies Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the sale and purchase agreement which may or may not be entered into in relation to the Proposed Acquisition
“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 People’s Republic of China
“MOU”	the non-legally binding memorandum of understanding dated 4 October 2007 entered into between the Company, the Vendor and Proud Dragon setting out the basic understanding in relation to the Proposed Acquisition
“PRC”	the People’s Republic of China, excluding Hong Kong for the purpose of this announcement
“Proposed Acquisition”	the proposed acquisition of the whole or part of the equity interest held by the Vendor in the issued share capital of Proud Dragon as contemplated under the MOU

“Proud Dragon”	Proud Dragon Limited, a company incorporated in the British Virgin Islands as an investment holding company and is wholly owned by the Vendor
“Shareholder(s)”	holder(s) of existing Shares
“Share(s)”	ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mr. Yip Yuk Tong, the ultimate beneficial owner of 100% interest in Proud Dragon, and to the best of Directors’ knowledge, information and belief having made all reasonable enquires, is a third party independent of the Company and its connected persons under the GEM Listing Rules
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

By order of the Board
KanHan Technologies Group Limited
Ma She Shing, Albert
Chairman

Hong Kong, 4 October 2007

As at the date of this announcement, the executive Directors are Mr. Ma She Shing, Albert, Mr. Mo Wai Ming, Lawrence, Mr. Pang Hong Tao, Peter and Ms. Au Shui Ming, Anna. The independent non-executive Directors are Mr. Hsu William Shiu Foo, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent.

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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting and on the website of the Company at www.kanhan.com.

* *for identification purpose only*