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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)

- (1) **PROPOSED SHARE CONSOLIDATION;**
(2) **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;**
(3) **PROPOSED RIGHTS ISSUE IN THE PROPORTION OF THREE RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE;**
AND
(4) **SUSPENSION AND RESUMPTION OF TRADING**

Financial adviser to KanHan Technologies Group Limited



KINGSTON CORPORATE FINANCE LIMITED

Co-financial advisers to KanHan Technologies Group Limited



INCUB CORPORATE FINANCE LIMITED

And

VEDA | CAPITAL
智略資本

Underwriters



KINGSTON SECURITIES LIMITED

And



Quam Capital Limited

And



HANTEC CAPITAL LIMITED

* *For identification purposes only*

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation pursuant to which every five Existing Shares of HK\$0.01 each be consolidated into one Consolidated Share of HK\$0.05. The Share Consolidation is conditional upon, among other things, the approval of the Shareholders at the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 Existing Shares, of which 700,458,400 Existing Shares had been issued and fully paid or credited as fully paid. Assuming the Share Consolidation becoming effective, the Board proposes to increase the authorised share capital of the Company from HK\$20,000,000 divided into 400,000,000 Consolidated Shares of HK\$0.05 each to HK\$100,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$0.05 each by the creation of an additional 1,600,000,000 unissued Consolidated Shares of HK\$0.05 each. The increase in authorised share capital of the Company is conditional upon, among other things, the approval of the Shareholders at the EGM.

PROPOSED RIGHTS ISSUE

Subject to the Share Consolidation and the increase in the authorised share capital of the Company becoming effective and taking into account the undertaking of Mr. Mo to exercise all his 7,000,000 Share Options on or before the Latest Lodging Date, the Board also proposes to raise not less than approximately HK\$24.2 million before expenses by issuing not less than 424,475,040 Rights Shares (assuming no Share Options would have been exercised, except that Mr. Mo would exercise all his 7,000,000 Share Options on or before the Latest Lodging Date) and not more than 442,475,040 Rights Shares (assuming full exercise of the 37,000,000 Share Options on or before the Latest Lodging Date) at the Subscription Price of HK\$0.057 per Rights Share on the basis of three Rights Shares for every one Consolidated Share held on the Record Date. The nil-paid Rights Shares will be provisionally allotted to the Qualifying Shareholders on the basis of three Rights Shares for every one Consolidated Share held by the Qualifying Shareholders. The Rights Issue is only available to the Qualifying Shareholders and will not be available to the Excluded Shareholders. Up to the date of this announcement, 37,000,000 Share Options have been granted by the Company under the Share Option Scheme entitling the holders thereof to subscribe for up to an aggregate of 37,000,000 Existing Shares (equivalent to 7,400,000 Consolidated Shares) at a subscription price of HK\$0.029 per Existing Share. Save for the Share Options mentioned above, there are no outstanding warrants or share options or securities that are convertible or exchangeable into Shares or confer any right to subscribe for Shares as at the date of this announcement.

The aggregate number of Rights Shares to be issued pursuant to the terms of the Rights Issue represents 300% of the Company's issued share capital upon the Share Consolidation becoming effective and 75% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

The last day of dealings in the Shares on a cum-rights basis is Thursday, 2 March 2006. The Shares will be dealt with on an ex-rights basis from Friday, 3 March 2006. To qualify for the Rights Issue, Shareholders must be registered as members of the Company on the Record Date and must not be Excluded Shareholders. In order to be registered as a member of the Company on the Record Date, any transfer of Shares (together with the relevant share certificates) must be lodged and any Share Options must be exercised for registration with the Registrar on or before the Latest Lodging Date. The register of members for the Shares will be closed from Tuesday, 7 March 2006 to Friday, 10 March 2006, both dates inclusive.

Pursuant to the Underwriting Agreement, Mr. Mo, who is directly or indirectly interested in 169,508,000 Existing Shares (equivalent to 33,901,600 Consolidated Shares), representing approximately 24.20% of the total issued share capital of the Company as at the date of this announcement, and holds 7,000,000 Share Options as at the date of this announcement, has given an irrevocable undertaking i) to exercise all the 7,000,000 Share Options held by him on or before the Latest Lodging Date, ii) to accept or procure acceptance of all the Rights Shares to be provisionally allotted to him, or his nominee(s) as the holder of such Rights Shares pursuant to the Rights Issue and iii) to make application for an aggregate of 22,527,772 excess Rights Shares under the Rights Issue. Assuming all the Rights Shares subject to the above undertakings have been fully allotted and issued to Mr. Mo, Mr. Mo's total shareholdings after the Rights Issue would amount to 163,734,172 Consolidated Shares, representing approximately 28.93% (assuming no Share Options would have been exercised, except that Mr. Mo would exercise all his 7,000,000 Share Options on or before the Latest Lodging Date) and approximately 27.75 % (assuming full exercise of the 37,000,000 Share Options on or before the Latest Lodging Date) of the total issued share capital of the Company as enlarged by the Rights Issue.

Assuming all the Share Options have been exercised on or before the Latest Lodging Date, in the event that no Qualifying Shareholder takes up any Rights Shares, except that Mr. Mo takes up all his entitlements (being 105,904,800 Rights Shares in aggregate) and his excess applications (being 22,527,772 Rights Shares in aggregate) under the Rights Issue, the Underwriters, as the underwriters of the Rights Issue, will be required to subscribe for and take up all the Rights Shares (other than the Rights Shares undertaken to be taken up by Mr. Mo) that have not been subscribed for under the Rights Issue pursuant to their respective obligations under the Underwriting Agreement, which will result in Kingston Securities holding 164,143,268 Rights Shares, representing approximately 27.82% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares and Quam Securities holding 114,811,481 Rights Shares, representing approximately 19.46% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares and Hantec Capital holding 35,087,719 Rights Shares, representing approximately 5.95% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares. Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite not more than 314,042,468 Rights Shares (of which Kingston Securities has agreed to underwrite not more than 164,143,268 Rights Shares in the first place, Quam Securities has agreed to underwrite not more than 114,811,481 Rights Shares in the second place and Hantec Capital has agreed to underwrite the remaining of not more than 35,087,719 Rights Shares) collectively representing approximately 53.23% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares, on the terms and subject to the conditions set out in the Underwriting Agreement. The Rights Issue (other than the Rights Shares undertaken to be taken up by Mr. Mo) will be fully underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement.

The Rights Issue is subject to the satisfaction of certain conditions as described under the section headed “Conditions of the Rights Issue”. In particular, it is subject to the Underwriters not terminating the Underwriting Agreement (see the section headed “Termination of the Underwriting Agreement” below) prior to 4:00 p.m. on the third Business Day following the Latest Acceptance Date. Accordingly, the Rights Issue may or may not become unconditional and may or may not proceed. Investors’ attention is drawn to the section headed “WARNING OF THE RISK OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES” below.

Shareholders and potential investors of the Company are advised to exercise caution when dealings in the Shares and the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

GENERAL

Pursuant to Rule 10.29(1) of the GEM Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. As at the date of this announcement, there is no controlling Shareholder. Therefore, Mr. Mo and Mr. Ma She Shing, Albert, being the executive Directors, and their respective associates will abstain from voting in favour of the resolution relating to the Rights Issue. The Rights Issue is conditional on, among other things, the approval by the Independent Shareholders. The EGM will be held for the Independent Shareholders to consider and, if thought appropriate, approve the Rights Issue on votes to be taken by way of poll.

The Company will establish an independent board committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. In this connection, the Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

Application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the Consolidated Shares and the Rights Shares in both nil-paid and fully-paid forms

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Existing Shares on GEM was suspended from 9:30 a.m. on Thursday, 5 January 2006 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Existing Shares with effect from 9:30 a.m. on Wednesday, 25 January 2006.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation pursuant to which every five Existing Shares of HK\$0.01 each be consolidated into one Consolidated Share of HK\$0.05. As at the date of this announcement, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Existing Shares of which 700,458,400 Existing Shares are in issue and are fully paid or credited as fully paid. Up to the date of this announcement, 37,000,000 Share Options have been granted by the Company under the Share Option Scheme entitling the holders thereof to subscribe for up to an aggregate of 37,000,000 Existing Shares (equivalent to 7,400,000 Consolidated Shares) at a subscription price of HK\$0.029 per Existing Share.

Effects of the Share Consolidation

The Consolidated Shares will rank *pari passu* in all respects with the Existing Shares in issue prior to the Share Consolidation becoming effective and there will be no change in the respective rights of the Shareholders. Fractional Consolidated Shares will not be issued by the Company to the Shareholders. Any fractional entitlements of Consolidated Shares will be aggregated and sold for the benefit of the Company. Board lot size for trading in the Consolidated Shares will remain unchanged at 10,000 Consolidated Shares per board lot, which is the same as that of the board lot size for trading in the Existing Shares on GEM. Based on the closing price of HK\$0.54 per Consolidated Share (assuming the Share Consolidation becoming effective) on the Last Trading Date (based on the closing price of HK\$0.108 per Existing Share as quoted on GEM on the Last Trading Date), the value of each board lot of 10,000 Consolidated Shares would be HK\$5,400.

The effects of the Share Consolidation on the share capital of the Company is set out under the section headed “Effects of the proposed increase in authorised share capital of the Company and the Share Consolidation on the share capital of the Company” in this announcement. Other than the expenses of approximately HK\$160,000 to be incurred by the Company in relation to the Share Consolidation, the implementation thereof will not, by itself, affect the underlying assets, business operations, management or financial position of the Group or the interests of the Shareholders as a whole (including the respective rights of the Shareholders).

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions having been fulfilled:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation as contained in the notice of EGM; and
- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares in issue upon the Share Consolidation becoming effective and any Consolidated Shares which may be issued upon exercise of the Share Options.

Subject to the fulfillment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Wednesday, 1 March 2006, being the date following the date of the EGM.

Reasons for the Share Consolidation

Taking into account the Share Consolidation will increase the nominal value of the Existing Shares and their trading price per board lot, and hence reducing the overall transaction and handling costs for dealings in the Consolidated Shares, and for the compliance with the requirements under Rule 17.76 of the GEM Listing Rules, the Directors are of the view that the Share Consolidation is in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the ordinary resolution to approve the Share Consolidation at the EGM.

Application for listing

Application will be made to the GEM Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue upon the Share Consolidation becoming effective and any Consolidated Shares which may be issued upon exercise of the Share Options on GEM.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on GEM, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on GEM or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Arrangement for odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Kingston Securities to match the purchase and sale of odd lots of the Consolidated Shares at the relevant market price per Consolidated Share for the period from Wednesday, 1 March 2006 to Thursday, 6 April 2006 (both dates inclusive). Holders of odd lots of the Consolidated Shares who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Shares or top up to a full board lot may, directly or through their brokers, contact Ms. Rosita Kiu (Tel.: 2298-6215 and Fax: 2295-0682) of Kingston Securities during this period. Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot facility, is recommended to consult his/her/its own professional advisers.

Trading arrangement for the Consolidated Shares

Subject to the Share Consolidation becoming effective, the arrangements proposed for dealings in the Consolidated Shares are expected to be as follows:

- (i) from 9:30 a.m. on Wednesday, 1 March 2006, the original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares will be temporarily closed and a temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares with existing share certificates which are blue in color will be set up;
- (ii) with effect from 9:30 a.m. on Wednesday, 15 March 2006, the original counter for trading in the Consolidated Shares will be re-opened for trading Consolidated Shares in board lots of 10,000 Consolidated Shares with new share certificates which are yellow in color;
- (iii) during the period from 9:30 a.m. on Wednesday, 15 March 2006 to 4:00 p.m. on Thursday, 6 April 2006 (both dates inclusive), there will be parallel trading at the above two counters; and
- (iv) the temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares will be removed after the close of trading at 4:00 p.m. on Thursday, 6 April 2006. Thereafter, trading will only be in board lots of 10,000 Consolidated Shares with new share certificates and the existing share certificates for the Existing Shares will cease to be marketable and will not be acceptable for dealing and settlement purposes. However, such certificates will remain effective as documents of title on the basis of five Existing Shares for one Consolidated Share.

Free exchange of share certificates

Shareholders may exchange their share certificates for the Existing Shares for new share certificates for the Consolidated Shares on or after Wednesday, 1 March 2006. This may be done free of charge by delivering the share certificates for the Existing Shares to the office of the Registrar, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, during the period from Wednesday, 1 March 2006 to Monday, 10 April 2006 (both dates inclusive). After the prescribed time for free exchange of share certificates, share certificates for the Existing Shares will be accepted for exchange for share certificates for the Consolidated Shares only on payment of a fee of HK\$2.50 (or such higher amount as may be stipulated by the Stock Exchange from time to time) for each new share certificate to be issued or each old share certificate submitted, whichever number of share certificates is higher, to the Registrar for exchange of share certificates.

New share certificates for the Consolidated Shares will be yellow in color in order to distinguish them from share certificates for the Existing Shares which are blue in color.

It is expected that new share certificates for the Consolidated Shares will be available for collection on or after the tenth business day from the date of submission of the certificates for the Existing Shares to the Registrar. Unless otherwise instructed, new share certificates for the Consolidated Shares will be issued in board lots of 10,000 Consolidated Shares.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 Existing Shares, of which 700,458,400 Existing Shares had been issued and fully paid or credited as fully paid. Assuming the Share Consolidation becoming effective, the Board proposes to increase the authorised share capital of the Company from HK\$20,000,000 divided into 400,000,000 Consolidated Shares of HK\$0.05 each to HK\$100,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$0.05 each by the creation of an additional 1,600,000,000 unissued Consolidated Shares of HK\$0.05 each. The increase in the authorised share capital is proposed for accommodating future expansion and growth of the Group and the Rights Issue.

Conditions of the proposed increase in authorised share capital

The proposed increase in the authorised share capital is conditional on the passing of an ordinary resolution by the Shareholders at the EGM to approve the same as contained in the notice of EGM.

Effect of the proposed increase in authorised share capital of the Company and the Share Consolidation on the share capital of the Company

The following table shows the total authorised share capital of the Company as at the date of this announcement and immediately before and after the increase in authorised share capital of the Company (assuming none of the 37,000,000 Share Options is exercised before the increase in authorised share capital of the Company and the Share Consolidation becoming effective):

	As at the date of this announcement		Immediately before the increase in authorised share capital of the Company		Immediately after the increase in authorised share capital of the Company	
	Number of Existing Shares	HK\$	Number of Consolidated Shares	HK\$	Number of Consolidated Shares	HK\$
Total authorised	2,000,000,000	20,000,000	400,000,000	20,000,000	2,000,000,000	100,000,000
Total issued	700,458,400	7,004,584	140,091,680	7,004,584	140,091,680	7,004,584
Total unissued	1,299,541,600	12,995,416	259,908,320	12,995,416	1,859,908,320	92,995,416

The following table shows the total authorised share capital of the Company as at the date of this announcement and immediately before and after the increase in authorised share capital of the Company (assuming all the 37,000,000 Share Options are exercised before the increase in authorised share capital of the Company and the Share Consolidation becoming effective):

	As at the date of this announcement		Immediately before the increase in authorised share capital of the Company		Immediately after the increase in authorised share capital of the Company	
	Number of Existing Shares	HK\$	Number of Consolidated Shares	HK\$	Number of Consolidated Shares	HK\$
Total authorised	2,000,000,000	20,000,000	400,000,000	20,000,000	2,000,000,000	100,000,000
Total issued	700,458,400	7,004,584	147,491,680	7,374,584	147,491,680	7,374,584
Total unissued	1,299,541,600	12,995,416	252,508,320	12,625,416	1,852,508,320	92,625,416

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	Three Rights Shares for every one Consolidated Share held on the Record Date
Number of Existing Shares in issue and Consolidated Shares in issue assuming the Share Consolidation becoming effective (<i>Note</i>):	700,458,400 Existing Shares (equivalent to 140,091,680 Consolidated Shares) as at the date of this announcement
Number of outstanding Share Options:	37,000,000 Share Options to subscribe for an aggregate of 37,000,000 Existing Shares (equivalent to 7,400,000 Consolidated Shares) as at the date of this announcement
Number of Rights Shares:	Not less than 424,475,040 and not more than 442,475,040 Rights Shares

Number of Rights Shares undertaken to be taken up by Mr. Mo: Pursuant to the Underwriting Agreement, Mr. Mo has irrevocably undertaken to accept or procure acceptance of his entitlements under the Rights Issue for 105,904,800 Rights Shares (taking into account his undertaking in respect of the exercise of all the 7,000,000 Share Options held by him on or before the Latest Lodging Date) and, in addition, to make application for an aggregate of 22,527,772 excess Rights Shares under the Rights Issue.

Number of Rights Shares underwritten by the Underwriters: Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite not more than 314,042,468 Rights Shares (of which Kingston Securities has agreed to underwrite not more than 164,143,268 Rights Shares in the first place, Quam Securities has agreed to underwrite not more than 114,811,481 Rights Shares in the second place and Hantec Capital has agreed to underwrite the remaining of not more than 35,087,719 Rights Shares) collectively representing approximately 53.23% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares, on the terms and subject to the conditions set out in the Underwriting Agreement. The Rights Issue (other than the Rights Shares undertaken to be taken up by Mr. Mo) will be fully underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement.

Note: 147,491,680 Consolidated Shares in the event that all the Share Options have been exercised before the Share Consolidation becoming effective

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 300% of the total issued share capital of the Company upon the Share Consolidation becoming effective and 75% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares.

Of the 37,000,000 Share Options mentioned above, 7,000,000 Share Options are being held by Mr. Mo, 7,000,000 Share Options are being held by Mr. Ma She Shing, Albert and the remaining 23,000,000 Share Options are being held by other employees of the Company. Among the holders of the Share Options, Mr. Mo and Mr. Ma She Shing, Albert are executive Directors and the other employees of the Company are independent third parties not connected with the Company and its connected persons (as defined under the GEM Listing Rules). Pursuant to the Underwriting Agreement, Mr. Mo has undertaken to exercise all his 7,000,000 Share Options on or before the Latest Lodging Date. As at the date of this announcement, Mr. Ma She Shing, Albert has not indicated to the Company whether or not he will exercise his Share Options on or before the Latest Lodging Date.

Save for the Share Options mentioned above, there are no outstanding warrants or share options or securities that are convertible or exchangeable into Shares or confer any right to subscribe for Shares as at the date of this announcement.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.057 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 89.44% to the closing price of HK\$0.54 per Consolidated Share (assuming the Share Consolidation becoming effective) on the Last Trading Date (based on the closing price of HK\$0.108 as quoted on GEM on the Last Trading Date);
- (ii) a discount of approximately 85.62% to the average closing price of HK\$0.3965 per Consolidated Share (assuming the Share Consolidation becoming effective) for the 10 consecutive trading days up to and including the Last Trading Date (based on the average closing price as quoted on GEM for the 10 consecutive trading days up to and including the Last Trading Date);
- (iii) a discount of approximately 83.50% to the average closing price of HK\$0.3455 per Consolidated Share (assuming the Share Consolidation becoming effective) for the 20 consecutive trading days up to and including the Last Trading Date (based on the average closing price as quoted on GEM for the 20 consecutive trading days up to and including the Last Trading Date);
- (iv) a discount of approximately 82.67% to the average closing price of HK\$0.329 per Consolidated Share (assuming the Share Consolidation becoming effective) for the 30 consecutive trading days up to and including the Last Trading Date (based on the average closing price as quoted on GEM for the 30 consecutive trading days up to and including the Last Trading Date);
- (v) a discount of approximately 67.94% to the theoretical ex-rights price of HK\$0.1778 per Consolidated Share (assuming the Share Consolidation becoming effective) based on the closing price of HK\$0.108 as quoted on GEM on the Last Trading Date; and
- (vi) a premium of approximately 143.59% over the net asset value per Consolidated Share of approximately HK\$0.0234 based on the unaudited consolidated net asset value of the Group as at 30 June 2005 as shown in the 2005 interim report dated 9 August 2005 of the Company for the six months ended 30 June 2005 and the number of Consolidated Shares in issue immediately after the Share Consolidation becoming effective but before completion of the Rights Issue and assuming there will not be any exercise of the Share Options.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to, among other things, the low net asset value per Share of the Group as at 30 June 2005 as shown in the 2005 interim report of the Company for the six months ended 30 June 2005 and the recent financial conditions of the Company. As disclosed in the Company's interim report for the nine months ended 30 September 2005, the net loss of the Group attributable to Shareholders for the nine months ended 30 September 2005 amounted to approximately HK\$2.81 million. The Group needs additional funds to finance its day-to-day operations and business activities. In view of the recent financial conditions of the Group as mentioned above and taking into consideration of the theoretical ex-rights price per Consolidated Share (assuming the Share Consolidation becoming effective), in order to increase the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors consider that the proposed discount of the Subscription Price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (a) the passing by the Shareholders at the EGM of an ordinary resolution to approve
 - (i) the Share Consolidation; and
 - (ii) the proposed increase in the authorised share capital of the Company;
- (b) the passing by the Independent Shareholders at the EGM of an ordinary resolution to approve the Rights Issue (such vote shall be taken by way of poll);
- (c) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance;
- (d) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;

- (e) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares:
 - (i) in their nil-paid form by no later than the first day of their dealings; and
 - (ii) in their fully-paid form by no later than the first day of their dealings;
- (f) the obligations of the Underwriters becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms; and
- (g) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement.

If any of the conditions of the Rights Issue are not fulfilled or (in respect of conditions (f) and/or (g) only) waived on or before Wednesday, 31 May 2006 (or such later time and/or date as the Company and Kingston Securities (on behalf all the Underwriters) may determine), neither the Company nor the Underwriters shall have any rights or be subject to any obligations arising from the Underwriting Agreement and the Rights Issue will not proceed. As at the date of this announcement, each of the Underwriters had no present intention to waive conditions (f) and/or (g) of the Rights Issue.

Status of the Rights Issue

The Rights Shares, when allotted, issued and fully-paid, will rank pari passu with the Consolidated Shares (assuming the Share Consolidation becoming effective) in issue in all respects. Holders of such Rights Shares will be entitled to receive full future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares in their fully-paid form. The Rights Shares in both their nil-paid and fully-paid forms will be traded in board lot of 10,000 Shares which is the same as that of the board lot size for trading in Existing Shares on GEM. Dealings in nil-paid and fully-paid Rights Shares will be subject to payment of stamp duty in Hong Kong.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to Qualifying Shareholders and (ii) the Prospectus, for information only, to the Excluded Shareholders and the holders of Share Options.

To qualify for the Rights Issue, Shareholder must be registered as members of the Company on the Record Date and must not be Excluded Shareholders. In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of the Shares (with the relevant share certificate(s)) with the Registrar, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than the Latest Lodging Date. Holders of Share Options who wish to participate in the Rights Issue should exercise their Share Options in accordance with their respective terms by no later than the Latest Lodging Date. The last day of dealings in Shares on a cum-rights basis is therefore expected to be Thursday, 2 March 2006. The Shares will be dealt with on an ex-rights basis from Friday, 3 March 2006.

Closure of register of members

The Company's register of members will be closed from Tuesday, 7 March 2006 to Friday, 10 March 2006, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Rights of Overseas Shareholders and Excluded Shareholders

If at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside of Hong Kong, that Shareholder may not be eligible to take part in the Rights Issue. The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than that in Hong Kong.

In compliance with Rule 17.41 of the GEM Listing Rules, the Directors will make enquiries as to whether the issue of Rights Shares to the Overseas Shareholder may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Excluded Shareholders. The Rights Issue is not available to the Excluded Shareholders.

The Company will send the circular including, among other things, details of (i) the Share Consolidation, (ii) the proposed increase in authorised share capital of the Company, (iii) the Rights Issue, (iv) the recommendation of the independent board committee of the Company in relation to the Rights Issue, (v) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in relation to the Rights Issue together with (vi) a notice convening the EGM to all Shareholders and the holders of Share Options. The Excluded Shareholders will be entitled to vote at the EGM to consider and, if thought fit, for the resolutions approving, among other things, the Rights Issue.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium, net of expenses, can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to the relevant Excluded Shareholders in Hong Kong dollars pro rata to their respective shareholdings. The Company will keep individual amounts of less than HK\$100 for its own benefit. Any unsold Rights Shares will be available for excess application under the Rights Issue.

Fractional entitlement to the Rights Shares

No fractional entitlements or allotments are expected to arise as a result of the Rights Issue.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders and any nil-paid Rights Shares provisionally allotted but not accepted by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for.

The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis based on the suggestions given by the Registrar, but will give preference to topping-up odd lots to whole board lots of Consolidated Shares. The same basis of allocation of the excess Rights Shares will be applied to all Qualifying Shareholders including Mr. Mo. Shareholders with their Shares held by a nominee company should note that the Directors will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the topping-up of odd lots for allocation of excess Rights Shares will not be extended to the ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) to increase their chances of allotment of the excess Rights Shares prior to the Record Date.

Share certificates for the fully-paid Rights Shares and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares on or before Monday, 3 April 2006 by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before Monday, 3 April 2006 by ordinary post at their own risk.

Application for listing of the Rights Shares on GEM

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Reasons for the Rights Issue and the use of proceeds

The Group is principally engaged in developing and marketing patented server based technology for its real time on-line communication software platform for the Chinese language. In addition, the Group is also engaged in the provision of software related services.

Upon the full subscription of the Rights Shares, the Company will receive net proceeds of approximately HK\$23 million. As mentioned above, the net loss of the Group attributable to Shareholders for the nine months ended 30 September 2005 amounted to approximately HK\$2.81 million. The Group needs additional funds to finance its operations and activities. While the Group intends to continue to pursue its principal business, the Directors intend to apply the net proceeds of the Rights Issue, as to approximately HK\$20 million towards future investment(s) which may or may not be in the principal line of business of the Group, and as to the balance of approximately HK\$3 million towards general working capital.

The Directors have always been active in seeking investment opportunities, whether within the principal line of business of the Company, in order to increase the value of the Company. The Directors consider that as long as any future investments are in the interests of the Company and the Shareholders as a whole, the Directors will look into such investments and decide whether such investments are warranted. However, up to the date of this announcement, no suitable investment has been identified nor had there been any concrete plan or arrangement made.

The Directors have considered other alternative fund raising methods such as issue of new shares and bank borrowings and consider that Rights Issue has the benefit of allowing the Qualifying Shareholders to maintain their respective pro rata shareholdings if they take up their entitled Rights Shares and participate in the future growth of the Group. Moreover, should Shareholders decide not to take up their entitlements under the Rights Issue, they can sell the nil-paid Right Shares in the market for economic benefit, if any. In addition, given that the Rights Issue will enlarge the capital base of the Company, the Directors believe that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

UNDERWRITING ARRANGEMENT

Undertakings from Mr. Mo

Pursuant to the Underwriting Agreement, Mr. Mo, who is directly or indirectly interested in 169,508,000 Existing Shares (equivalent to 33,901,600 Consolidated Shares), representing approximately 24.20% of the total issued share capital of the Company as at the date of this announcement, and holds 7,000,000 Share Options as at the date of this announcement, has given an irrevocable undertaking i) to exercise all the 7,000,000 Share Options held by him on or before the Latest Lodging Date, ii) to accept or procure acceptance of all the Rights Shares to be provisionally allotted to him, or his nominee(s) as the holder of such Rights Shares pursuant to the Rights Issue and iii) to make application for an aggregate of 22,527,772 excess Rights Shares under the Rights Issue. Assuming all the Rights Shares subject to the above undertakings have been fully allotted and issued to Mr. Mo, Mr. Mo's total shareholdings after the Right Issue would amount to 163,734,172 Consolidated Shares, representing approximately 28.93% (assuming no Share Options would have been exercised, except that Mr. Mo would exercise all his 7,000,000 Share Options on or before the Latest Lodging Date) and approximately 27.75% (assuming full exercise of the 37,000,000 Share Options on or before the Latest Lodging Date) of the total issued share capital of the Company as enlarged by the Rights Issue, respectively.

In addition to the above undertakings, pursuant to the Underwriting Agreement, Mr. Mo has further undertaken to the Underwriters not to (without prior written consent of the Underwriters) transfer or otherwise dispose or acquire any Shares between the date of the Underwriting Agreement and the Latest Acceptance Date save for i) the subscription of Shares by exercising the outstanding Share Options granted to him, ii) the charge created in favour of Manciple Enterprises Limited as described in Note 1 under the heading "CHANGES IN SHAREHOLDING STRUCTURE" in this announcement, iii) the taking up of the Rights Shares provisionally allotted to him pursuant to the Rights Issue or acquiring nil-paid rights or submitting excess application for excess Rights Shares or iv) the acquisition of Shares in circumstances which do not contravene the GEM Listing Rules.

Underwriting Agreement

Date: 20 January 2006

Underwriters: Kingston Securities, Quam Securities and Hantec Capital
(Note 1)

Number of Rights Shares underwritten: Not less than 296,042,468 Rights Shares and not more than 314,042,468 Rights Shares. Up to 164,143,268 Rights Shares by Kingston Securities in the first place, 114,811,481 Rights Shares by Quam Securities in the second place and the remaining 35,087,719 Rights Shares by Hantec Capital upon full exercise of Share Options.
(Note 2)

Commission: 2.5% of the total Subscription Price of the maximum number of Rights Shares, being 314,042,468 Rights Shares, for which each of the Underwriters has agreed to underwrite. The total underwriting commission to be received by the Underwriters will be approximately HK\$447,511. The Directors considered that underwriting commission of 2.5% is comparable with market rate and reasonable.

Notes:

1. All the Underwriters and their ultimate beneficial owners do not have any shareholding in the Company as at the date of this announcement and are third parties independent of, and not connected with each other and the Company and its connected person (as defined in the GEM Listing Rules).
2. These figures exclude up to 105,904,800 Rights Shares (assuming the full exercise of the 7,000,000 Share Options held by Mr. Mo on or before the Latest Lodging Date) to be provisionally allotted to Mr. Mo under the Rights Issue, in respect of his interests in the Shares which he has irrevocably undertaken to subscribe for his entitlements under the Rights Issue in full and make an excess application an aggregate of 22,527,772 excess Rights Shares under the Rights Issue agreed to be taken up by Mr. Mo.

Assuming all the Share Options have been exercised on or before the Latest Lodging Date, in the event that no Qualifying Shareholder takes up any Rights Shares, except that Mr. Mo takes up all his entitlements (being 105,904,800 Rights Shares in aggregate) and his excess applications (being 22,527,772 Rights Shares in aggregate) under the Rights Issue, the Underwriters, as the underwriters of the Rights Issue, will be required to subscribe for and take up all the Rights Shares (other than the Rights Shares undertaken to be taken up by Mr. Mo) that have not been subscribed for under the Rights Issue pursuant to their respective obligations under the Underwriting Agreement, which will result in Kingston Securities holding 164,143,268 Rights Shares, representing approximately 27.82% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares and Quam Securities holding 114,811,481 Rights Shares, representing approximately 19.46% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares and Hantec Capital holding 35,087,719 Rights Shares, representing approximately 5.95% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares. Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite not more than 314,042,468 Rights Shares (of which Kingston Securities has agreed to underwrite not more than 164,143,268 Rights Shares in the first place, Quam Securities has agreed to underwrite not more than 114,811,481 Rights Shares in the second place and Hantec Capital has agreed to underwrite the remaining of not more than 35,087,719 Rights Shares) collectively representing approximately 53.23% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares, on the terms and subject to the conditions set out in the Underwriting Agreement. The Rights Issue (other than the Rights Shares undertaken to be taken up by Mr. Mo) will be fully underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement.

Termination of the Underwriting Agreement

If at any time, prior to 4:00 p.m. on the third Business Day following the Latest Acceptance Date, which is expected to be Thursday, 30 March 2006, or such other date and/or time as the Company and Kingston Securities (on behalf of all the Underwriters) may agree:

- (1) in the sole and absolute discretion of Kingston Securities (on behalf of all the Underwriters), the success of the Rights Issue would be materially and adversely affected by:**
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute discretion of Kingston Securities (on behalf of all the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; 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 hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute discretion of Kingston Securities (on behalf of all the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or**
 - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or**
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute discretion of Kingston Securities (on behalf of all the Underwriters) is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or**
- (3) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute discretion of Kingston Securities (on behalf of all the Underwriters) will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or**

- (4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue, or**
- (5) the circular, prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the sole and absolute discretion of Kingston Securities (on behalf of all the Underwriters) is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,**

Kingston Securities (on behalf of all the Underwriters) shall be entitled by notice in writing to the Company, served prior to 4:00 p.m. on the third Business Day following the Latest Acceptance Date, which is expected to be Thursday, 30 March 2006, or such other date and/or time as the Company and Kingston Securities (on behalf of all the Underwriters) may agree, to terminate the Underwriting Agreement.

The Underwriting Agreement further contains provisions that Kingston Securities (on behalf of all the Underwriters) may terminate their respective commitment under the Underwriting Agreement if prior to 4:00 p.m. on the third Business Day following the Latest Acceptance Date, which is expected to be Thursday, 30 March 2006, or such other date and/or time as the Company and Kingston Securities (on behalf of all the Underwriters) may agree there is:

- (a) any material breach of any of the warranties or undertakings under the Underwriting Agreement; or**
- (b) any specified event described in the Underwriting Agreement comes to the knowledge of any of the Underwriters.**

If the Underwriting Agreement is terminated by Kingston Securities (on behalf of all the Underwriters) on or before the aforesaid deadline or does not become unconditional, the Rights Issue will not proceed.

WARNING OF THE RISK OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from Friday, 3 March 2006. Dealing in the Rights Shares in the nil-paid form will take place from Tuesday, 14 March 2006 to Wednesday, 22 March 2006 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled and/or, in respect of conditions that are waivable, waived (as the case may be) on or before Wednesday, 31 May 2006 (or such later time and/or date as the Company and Kingston Securities (on behalf of all the Underwriters) may agree in writing), or the Underwriting Agreement is terminated, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Tuesday, 14 March 2006 and Wednesday, 22 March 2006 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholder or other persons contemplating dealings in the Shares or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

Shareholders and potential investors are advised to exercise caution when dealings in the Shares and the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

CHANGES IN SHAREHOLDING STRUCTURE

The following is the shareholding structure of the Company immediately before and after the Share Consolidation, but before completion of the Rights Issue, assuming none of the Share Options have been exercised before the Share Consolidation:

Shareholders	Immediately before completion of the Share Consolidation		Immediately after completion of the Share Consolidation but before completion of the Rights Issue	
	No. of Existing Shares	Approximate %	No. of Consolidated Shares	Approximate %
Mr. Mo (<i>Note 1</i>)	169,508,000	24.20	33,901,600	24.20
Ma She Shing, Albert (<i>Note 2</i>)	–	–	–	–
YesMobile Holdings Company Ltd. (<i>Note 3</i>)	103,786,400	14.82	20,757,280	14.82
Alexandra Investment Manager, LLC (<i>Note 4</i>)	75,010,000	10.71	15,002,000	10.71
Underwriters (<i>Note 5</i>):				
– Kingston Securities	–	–	–	–
– Quam Securities	–	–	–	–
– Hantec Capital	–	–	–	–
Other Shareholders	352,154,000	50.27	70,430,800	50.27
Total	<u>700,458,400</u>	<u>100.00</u>	<u>140,091,680</u>	<u>100.00</u>

The following is the shareholding structure of the Company immediately before and after completion of the Rights Issue (assuming the Share Consolidation having become effective) assuming no Share Options have been exercised, except that Mr. Mo have exercised his Share Options in full on or before the Latest Lodging Date:

Shareholders	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming no Qualifying Shareholders shall take up his/her/its entitlements under the Rights Issue, except that Mr. Mo takes up all his entitlements (being 105,904,800 Rights Shares in aggregate) and his excess applications (being 22,527,772 Rights Shares in aggregate) under the Rights Issue)		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders shall take up his/her/its entitlements under the Rights Issue)	
	No. of Consolidated Shares	Approximate %	No. of Consolidated Shares	Approximate %	No. of Consolidated Shares	Approximate %
	Mr. Mo	35,301,600	24.95	163,734,172	28.93	141,206,400
Ma She Shing, Albert (Note 2)	–	–	–	–	–	–
YesMobile Holdings Company Ltd. (Note 3)	20,757,280	14.67	20,757,280	3.67	83,029,120	14.67
Alexandra Investment Manager, LLC (Note 4)	15,002,000	10.60	15,002,000	2.65	60,008,000	10.60
Underwriters (Note 5):						
– Kingston Securities	–	–	146,143,268	25.82	–	–
– Quam Securities	–	–	114,811,481	20.29	–	–
– Hantec Capital	–	–	35,087,719	6.20	–	–
Other Shareholders	70,430,800	49.78	70,430,800	12.44	281,723,200	49.78
Total	<u>141,491,680</u>	<u>100.00</u>	<u>565,966,720</u>	<u>100.00</u>	<u>565,966,720</u>	<u>100.00</u>

The following is the shareholding structure of the Company immediately before and after completion of the Rights Issue (assuming the Share Consolidation have become effective) assuming all the Share Options have been exercised on or before the Latest Lodging Date:

Shareholders	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming no Qualifying Shareholders shall take up his/her/its entitlements under the Rights Issue, except that Mr. Mo takes up all his entitlements (being 105,904,800 Rights Shares in aggregate) and his excess applications (being 22,527,772 Rights Shares in aggregate) under the Rights Issue)		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders shall take up his/her/its entitlements under the Rights Issue)	
	No. of Consolidated Shares	Approximate %	No. of Consolidated Shares	Approximate %	No. of Consolidated Shares	Approximate %
Mr. Mo	35,301,600	23.93	163,734,172	27.75	141,206,400	23.93
Ma She Shing, Albert (Note 2)	1,400,000	0.95	1,400,000	0.24	5,600,000	0.95
YesMobile Holdings Company Ltd. (Note 3)	20,757,280	14.07	20,757,280	3.52	83,029,120	14.07
Alexandra Investment Manager, LLC (Note 4)	15,002,000	10.17	15,002,000	2.54	60,008,000	10.17
Underwriters (Note 5):						
– Kingston Securities	–	–	164,143,268	27.82	–	–
– Quam Securities	–	–	114,811,481	19.46	–	–
– Hantec Capital	–	–	35,087,719	5.95	–	–
Other Shareholders	75,030,800	50.88	75,030,800	12.72	300,123,200	50.88
Total	147,491,680	100.00	589,966,720	100.00	589,966,720	100.00

Notes:

1. Mr. Mo is an executive Director and a substantial Shareholder. On 13 April 2005, amongst the 169,508,000 Existing Shares (representing approximately 24.20% of the total issued share capital of the Company as at the date of this announcement) held by Mr. Mo, 151,686,400 Existing Shares (representing approximately 21.66% of the total issued share capital of the Company as at the date of this announcement) were pledged in favour of Manciple Enterprises Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Lau Kim Hung, Jack, who is a third party independent of, and not connected with the Company and its connected person(s) (as defined under the GEM Listing Rules), accordingly, had a security interest in those 151,686,400 Existing Shares. As at the date of this announcement, under the SFO, each of Manciple and Mr. Lau is deemed to be interested in those 151,686,400 Existing Shares, representing approximately 21.66% of the total issued share capital of the Company as at the date of this announcement. Upon the exercise of the 7,000,000 Share Options held by Mr. Mo, the Shares to be issued thereof will also be pledged in favour of Manciple Enterprises Limited.
2. As at the date of this announcement, Mr. Ma She Shing, Albert is an executive Director and holds 7,000,000 Share Options entitling him to subscribe for 7,000,000 Existing Shares (equivalent to 1,400,000 Consolidated Shares).
3. To the best knowledge of the Directors, except for being a substantial Shareholder, YesMobile Holdings Company Limited and its ultimate beneficial owner(s) are third parties independent of, and not connected with the Company and its connected person(s) (as defined under the GEM Listing Rules). As at the date of this announcement, the Company did not ascertain the intention of YesMobile Holdings Company Limited as to whether it will take up its provisional entitlements under the Rights Issue.
4. To the best knowledge of the Directors, except for being a substantial Shareholder, Alexandra Investment Manager, LLC and its ultimate beneficial owner(s) are third parties independent of, and not connected with the Company and its connected person(s) (as defined under the GEM Listing Rules). As at the date of this announcement, the Company did not ascertain the intention of Alexandra Investment Manager, LLC as to whether it will take up its provisional entitlements under the Rights Issue.
5. All the Underwriters and their ultimate beneficial owners are third parties independent of, and not connected with each other and the Company and its connected person(s) (as defined under the GEM Listing Rules).

RESTORATION OF PUBLIC FLOAT

The Stock Exchange has stated that if, upon completion of the Rights Issue, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading in the Shares; or
- (ii) there are too few Shares in public hands to maintain an orderly market;

then it will consider exercising its discretion to suspend trading in the Shares until a sufficient public float is attained.

As shown in the section headed “CHANGES IN SHAREHOLDING STRUCTURE”, assuming none of the Qualifying Shareholders takes up any provisional allotments of the Rights Shares except that Mr. Mo would take up all his entitlements under the Rights Issue (being 105,904,800 Rights Shares) and his excess applications (being 22,527,772 Rights Shares) under the Rights Issue, the public float of the Shares will drop to approximately 12.44% or 12.72% immediately after completion of the Rights Issue. The Company and each of the Directors undertake to the Stock Exchange that they will use their best endeavours to make prior arrangements in sufficient good time before completion of the Rights Issue to ensure minimum public float is maintained immediately after the issue of the Rights Shares. The Underwriters will also use their best endeavours to take steps to procure subscribers, who are third parties independent of, and not connected with the Company and its connected person(s) (as defined under the GEM Listing Rules), to subscribe for the underwritten Rights Shares not taken up by the Qualifying Shareholders in sufficient good time before completion of the Rights Issue.

Details of the concrete steps to be taken to ensure there being a minimum public float of Shares before completion of the Rights Issue will be disclosed in the Circular and announced upon despatch of the Circular.

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation and the Rights Issue set out below is indicative only and it has been prepared on the assumption that the Share Consolidation, the proposed increase in the authorised share capital of the Company and the Rights Issue will be approved by the Shareholders and/or the Independent Shareholders (as the case may be) at the EGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

2006

Despatch of the Circular Monday, 13 February

Latest time for lodging forms of proxy for the
purpose of the EGM 10:00 a.m. on Sunday, 26 February

EGM	10:00 a.m. on Tuesday, 28 February
Effective date of the Share Consolidation	Wednesday, 1 March
Announcement of results of EGM to be published on the GEM website	Wednesday, 1 March
Original counter for trading in the Existing Shares in board lots of 10,000 of Existing Shares temporarily closes	9:30 a.m. on Wednesday, 1 March
Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares opens (in the form of existing share certificates)	9:30 a.m. on Wednesday, 1 March
First day for free exchange of existing share certificates for new share certificates	Wednesday, 1 March
First day of operation of odd lots trading facility	Wednesday, 1 March
Last day of dealings in Shares on a cum-rights basis	Thursday, 2 March
First day of dealings in Shares on an ex-rights basis	Friday, 3 March
Latest time for lodging transfer of Shares in order to be qualified for the Rights Issue	4:00 p.m. on Monday, 6 March
Latest time for holders of the Share Options to exercise their respective Share Options in order to be qualified for the Rights Issue	4:00 p.m. on Monday, 6 March
Register of members of the Company closed (both dates inclusive)	Tuesday, 7 March to Friday, 10 March (both dates inclusive)
Record Date	Friday, 10 March
Despatch of the Prospectus Documents (in case of the Excluded Shareholders, the Prospectus only)	Friday, 10 March
Register of members of the Company re-opens	Monday, 13 March
First day of trading in nil-paid Rights Shares	Tuesday, 14 March

Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares re-opens (in the form of new share certificates)	9:30 a.m. on Wednesday, 15 March
Parallel trading in the Consolidated Shares (in the forms of both existing and new share certificates) commences	9:30 a.m. on Wednesday, 15 March
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Friday, 17 March
Last day of trading in nil-paid Rights Shares	Wednesday, 22 March
Latest time for acceptance of, and payment of Rights Shares and application for excess Rights Shares	4:00 p.m. on Monday, 27 March
Latest time for the Rights Issue to become unconditional (being the third business following the Latest Acceptance Date).	4:00 p.m. on Thursday, 30 March
Announcement of results of acceptance of and excess application for the Rights Shares to be published on the GEM website	Monday, 3 April or before
Despatch of refund cheques in respect of wholly or partially unsuccessful excess applications for excess Rights Shares	Monday, 3 April or before
Despatch of share certificates for fully-paid Rights Shares	Monday, 3 April or before
Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares closes (in the form of existing share certificates)	4:00 p.m. on Thursday, 6 April
Parallel trading in the Consolidated Shares (in the forms of both existing and new share certificates) ends.	4:00 p.m. on Thursday, 6 April
Last day of operation of odd lots trading facility	Thursday, 6 April
Dealings in fully-paid Rights Shares commence.	Thursday, 6 April
Last day of free exchange of existing share certificates for new share certificates	Monday, 10 April

EFFECT OF BAD WEATHER ON THE LATEST ACCEPTANCE DATE

The Latest Acceptance Date will be postponed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 27 March 2006. Instead, the Latest Acceptance Date will be rescheduled to 12:00 noon on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon. If the Latest Acceptance Date is postponed in accordance with the foregoing, the dates mentioned in the section headed “EXPECTED TIMETABLE” in this announcement may be affected. A press announcement will be made by the Company in such event.

ADJUSTMENTS IN RELATION TO THE SHARE OPTIONS

The Company adopted the Share Option Scheme approved by way of written resolution on 24 January 2003. Up to the date of this announcement, 37,000,000 Share Options have been granted by the Company under the Share Option Scheme entitling the holders thereof to subscribe for up to an aggregate of 37,000,000 Existing Shares (equivalent to 7,400,000 Consolidated Shares) at a subscription price of HK\$0.029 per Existing Share.

The Share Consolidation and the issue of the Rights Shares may cause adjustments to the subscription price and the number of Consolidated Shares to be issued under the Share Options. As to the adjustments to the number of Consolidated Shares to be issued and the subscription price in respect of the Share Options, the Company will instruct its auditors to review and certify the basis of such adjustments pursuant to the Share Option Scheme and in accordance with Rule 23.03(13) of the GEM Listing Rules and the supplementary guidance issued by the Stock Exchange as soon as possible. The Company will inform the holders of the Share Options of the adjustment accordingly. Further announcement will be made by the Company in respect of such adjustment as and when appropriate.

FUNDS RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS FROM THE DATE OF THIS ANNOUNCEMENT

The Company has completed a placement of 116,740,000 Existing Shares to 8 Placees who are independent third parties not connected with the Company and connected persons of the Company in accordance with the GEM Listing Rules and raised net proceeds of approximately HK\$2.55 million on 27 June 2005. The Group intended that approximately HK\$1.275 million would be used for further development of the Group’s existing business including but not limited to modifying and upgrading the Company’s patented server-based language technology and its related softwares to cater for different types of customers in various sectors and the balance of the net proceeds of approximately HK\$1.275 million would be used as general working capital. As at the date of this

announcement, approximately HK\$700,000 has been used as general working capital in accordance with the usage as disclosed in the announcement dated 16 June 2005. The balance of approximately HK\$1.275 million is intended to be used for further development of the Group's existing business as aforesaid and the remaining HK\$575,000 is intended to be used as general working capital. Save as disclosed, there is no further fund raising exercise by the Company in the past twelve months from the date of this announcement.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Existing Shares on GEM was suspended from 9:30 a.m. on Thursday, 5 January 2006 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Existing Shares with effect from 9:30 a.m. on Wednesday, 25 January 2006.

GENERAL

Pursuant to Rule 10.29(1) of the GEM Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. As at the date of this announcement, there is no controlling Shareholder. Therefore, Mr. Mo and Mr. Ma She Shing, Albert, being the executive Directors, and their respective associates will abstain from voting in favour of the resolution relating to the Rights Issue. The Rights Issue is conditional on, among other things, the approval by the Independent Shareholders. The EGM will be held for the Independent Shareholders to consider and, if thought appropriate, approve the Rights Issue on votes to be taken by way of poll.

The Company will establish an independent board committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. In this connection, the Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

A circular including, among other things, details of (i) the Share Consolidation, (ii) the proposed increase in authorised share capital of the Company, (iii) the Rights Issue, (iv) the recommendation of the independent board committee in relation to the Rights Issue, (v) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in relation to the Rights Issue together with (vi) a notice convening the EGM to all Shareholders and the holders of Share Options will be despatched to the Shareholders and the holders of Share Options as soon as practicable.

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”	any day on which the Exchange is open for the business in dealing securities
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular including, among other things, details of (i) the Share Consolidation, (ii) the proposed increase in authorised share capital of the Company, (iii) the Rights Issue, (iv) the recommendation of the independent board committee in relation to the Rights Issue, (v) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in relation to the Rights Issue together with (vi) a notice convening the EGM to all Shareholders and the holders of Share Options which is expected to be despatched to the Shareholders and the holders of Share Options on Monday, 13 February 2006
“Company”	KanHan Technologies Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Consolidated Share(s)”	consolidated ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company upon completion of the Share Consolidation
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Share Consolidation, the proposed increase in authorised share capital of the Company and the Rights Issue

“Excluded Shareholders”	Overseas Shareholders, to whom the Directors, based on legal opinions provided by legal advisers and on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient not to offer the Rights Shares
“Existing Shares”	existing ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company, before the implementation of the Share Consolidation
“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
“Hantec Capital”	Hantec Capital Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Mr. Mo and Mr. Ma She Shing, Albert and their respective associates who are required by the GEM Listing Rules to abstain from voting in favour of the resolution to approve the Rights Issue
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the SFO
“Latest Acceptance Date”	being 4:00 p.m. on Monday, 27 March 2006 as the latest date for acceptance and payment in respect of provisional allotments and applications for excess under the Rights Issue
“Latest Lodging Date”	being 4:00 p.m. on Monday, 6 March 2006 as the latest time for lodging transfer of Existing Shares and/or exercising Share Options in order to be qualified for the Rights Issue
“Last Trading Date”	Wednesday, 4 January 2006, being the last trading day of the Existing Shares prior to the release of this announcement

“Mr. Mo”	Mr. Mo Wai Ming, Lawrence, an executive Director and a substantial Shareholder
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) as shown on such register is(are) outside Hong Kong
“Placees”	the term shall have the same meanings as defined in the announcement of the Company dated 16 June 2005
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Prospectus Posting Date”	Friday, 10 March 2006 being the date of despatch of the Prospectus Documents (in case of the Excluded Shareholders, the Prospectus only)
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Quam Securities”	Quam Securities Company Limited, a licensed corporation to carry on business in type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO
“Record Date”	Friday, 10 March 2006, being the date by reference to which entitlements to the Rights Issue will be determined
“Registrar”	Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, being the Company’s Hong Kong branch share registrar
“Rights Issue”	the proposed issue of Rights Shares on the basis of three Rights Shares for every one Consolidated Share to Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the Rights Issue

“Rights Share(s)”	not less than 424,475,040 Consolidated Shares and not more than 442,475,040 Consolidated Shares to be issued pursuant to Rights Issue
“Share Consolidation”	the proposed consolidation of every five Existing Shares of HK\$0.01 each in the issued and unissued share capital of the Company into one Consolidated Share of HK\$0.05 each in the issued and unissued share capital of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Existing Shares or Consolidated Shares, as the case may be
“Share(s)”	Existing Share(s) and/or Consolidated Share(s), as the case may be
“Share Option(s)”	the share option(s) granted under the Share Option Scheme
“Share Option Scheme”	a share option scheme adopted by the Company pursuant to a written resolution passed on 24 January 2003
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$0.057 per Rights Share
“Underwriters”	Kingston Securities, Quam Securities and Hantec Capital
“Underwriting Agreement”	the underwriting agreement dated 20 January 2006 entered into between the Company, Kingston Securities, Quam Securities and Hantec Capital in relation to the Rights Issue
“%”	Percent

By order of the Board
KanHan Technologies Group Limited
Mo Wai Ming, Lawrence
Director

Hong Kong, 24 January 2006

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

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 seven days from the date of its posting.