
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transfer all your shares in KanHan Technologies Group Limited (the “Company”), you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected, for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular, 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 issuer. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular 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 circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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)

PROPOSED GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

The notice convening the annual general meeting of the Company to be held at 15/F., Sun House, 181 Des Voeux Road Central, Hong Kong on Friday, 22nd April, 2005 at 10:00 a.m. is set out in the Annual Report 2004.

A form of proxy for the annual general meeting is enclosed with the Annual Report 2004. Whether or not you intend to attend and vote at the annual general meeting, you are requested to complete the enclosed form of proxy and return it in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the annual general meeting or any adjourned meeting should you so wish.

This circular will remain on the GEM website at www.hkgem.com on the Latest Company Announcements page 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

Hong Kong 30th March, 2005

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“Annual General Meeting”	the forthcoming annual general meeting of the Company to be held at 15/F., Sun House, 181 Des Voeux Road Central, Hong Kong on Friday, 22nd April, 2005 at 10:00 a.m.
“Annual Report 2004”	the annual report of the Company for the financial year ended 31st December, 2004
“associate(s)”	has the meaning ascribed to it under rule 1.01 of the GEM Listing Rules in relation to any director, chief executive, substantial shareholders or management shareholders (in each case being an individual)
“Board”	the board of Directors of the Company or a duly authorised committee of the board of Directors
“Company”	KanHan Technologies Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM
“Connected Person”	has the meaning given to that term in the GEM Listing Rules
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Latest Practicable Date”	23rd March, 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	registered holder(s) for the time being of Shares issued
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	shall have the meaning ascribed to it under rule 1.01 of the GEM Listing Rules
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchases
“%”	per cent.

LETTER FROM THE BOARD



KANHAN TECHNOLOGIES GROUP LIMITED

看漢科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Directors:

Mo Wai Ming, Lawrence *(Chairman & Chief Executive Officer)*

Wai Lai Yung

Yuen Ka Lok, Ernest*

Li Mo Ching, Joyce[#]

Tam Cheuk Ling, Jacqueline[#]

Kwok Chi Sun, Vincent[#]

Registered Office:

Caledonian Bank & Trust Limited
Caledonian House,
P.O. Box 1043, George Town,
Grand Cayman, Cayman Islands

Principal Office:

15/F., Sun House,
181 Des Voeux Road Central
Hong Kong

* *Non-executive Director*

Independent Non-executive Director

30th March, 2005

To the Shareholders

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES**

INTRODUCTION

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the Annual General Meeting to be held at 15/F., Sun House, 181 Des Voeux Road Central, Hong Kong on Friday, 22nd April, 2005 at 10:00 a.m.. These include the ordinary resolutions granting to the Directors general and unconditional mandates to issue and repurchase Shares of the Company.

* *For identification purposes only*

LETTER FROM THE BOARD

GENERAL MANDATE TO ISSUE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to allot, issue and deal with new Shares of the Company up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of such resolution. Another ordinary resolution will also be proposed to increase the limit of this 20% by the amount of any Shares of the Company repurchased by the Company up to a maximum of 10% of the aggregate nominal value of the issued share capital of the Company at the date of passing of the relevant resolution (the “Issue Mandate”).

GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, a separate ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to exercise all powers of the Company to repurchase Shares not exceeding 10% of the aggregate of the total nominal value of the share capital of the Company in issue at the date of passing of such resolution (the “Repurchase Mandate”). The Company’s authority is restricted to purchases made on the Stock Exchange and otherwise in accordance with the GEM Listing Rules.

An explanatory statement containing all relevant information relating to the Repurchase Mandate and pursuant to the GEM Listing Rules, in particular rule 13.08, is set out in the Appendix to this circular. The information in the explanatory statement is intended to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions relating to the Repurchase Mandate.

ANNUAL GENERAL MEETING

A notice of the Annual General Meeting to be held at 15/F., Sun House, 181 Des Voeux Road Central, Hong Kong on Friday, 22 April, 2005 at 10:00 a.m. is set out in the Annual Report 2004. Resolutions 4 to 6 relating to the Issue Mandate and the Repurchase Mandate will be proposed as ordinary resolutions at the Annual General Meeting for your consideration and approval.

A form of proxy for the Annual General Meeting is enclosed with the Annual Report 2004. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the branch share registrar of the Company in Hong Kong, Standard Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the meeting. The completion of a form of proxy will not preclude you from attending and voting at the meeting in person.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the granting of the Issue Mandate and the Repurchase Mandate are in the best interests of the Company and the Shareholders as a whole and accordingly recommend you to vote in favour of the relevant resolutions at the Annual General Meeting. The Directors will vote all their shareholdings in favour of the resolutions.

PROCEDURES TO DEMAND POLL

In accordance with the articles of association of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the Chairman of the meeting; or
- (b) by at least 2 Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholders or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by any Shareholders or Shareholders present in person (or, in the case of a Shareholders being a corporation, by its duly authorized representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

By Order of the Board
Au Shui Ming, Anna
Company Secretary

This is an explanatory statement given to all shareholder of the Company relating to a resolution to be proposed at the Annual General Meeting authorizing the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to rule 13.08 and other relevant provisions of the GEM Listing Rules which are set out as follows:

1. EXERCISE OF THE REPURCHASE MANDATE

As at the Latest Practicable Date, the issued share capital of the Company was HK\$5,837,184 comprising 583,718,400 ordinary Shares of HK\$0.01 each. Exercise in full of the Repurchase Mandate, on the basis that no further Shares are issued or repurchased prior to the date of the Annual General Meeting would result in up to 58,371,840 Shares, being 10% of the issued share capital of the Company at date of relevant resolution, being repurchased by the Company. The Repurchase Mandate will allow the Company to make or agree to make purchases only during the period ending on the earliest of the date of the next annual general meeting, the expiration of the latest date by which the next annual general meeting of the Company is required to be held by law or under its bye-laws or the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

2. REASONS FOR REPURCHASES

The Directors have no present intention to repurchase any Shares but consider that the Repurchase Mandate will provide the Company the flexibility to make such repurchases as and when they are appropriate for a beneficial to the Company. Such repurchases may enhance the net asset value of the Company and/or the earnings per Share. As compared with the financial position of the Company as at 31st December, 2004 (being the date to which the latest audited financial statements of the Company have been made up), the Directors consider that there would not be any material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchase were to be carried out in full at anytime during the proposed purchase period. No repurchase would be made in circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

3. FUNDING AND LEGALITY OF REPURCHASES

The repurchase of Shares will be funded entirely from the Company's available cash flow or working capital facilities, and will, in any event, be made out of funds legally available for the repurchase in accordance with the GEM Listing Rules, the memorandum and articles of association of the Company and the applicable laws of Cayman Islands. Under the laws of Cayman Islands, the repurchased Shares will be cancelled and the Company's issued share capital will be accordingly reduced by the nominal value of the Shares repurchased. However, the aggregate amount of the company's authorised share capital will not be reduced.

4. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the associates of any of the Directors has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

No Connected Person of the Company has notified the Company that he or she or it has a present intention to sell Shares to the Company nor has he or she or it undertaken not to sell any of the Shares held by him or her or it to the Company in the event that the Company is authorised to make purchase of Shares.

5. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the GEM Listing Rules and all applicable laws of Cayman Islands, and in accordance with the regulations set out in the memorandum and articles of association and by-laws of the Company.

6. EFFECT OF THE TAKEOVER CODE

If, on the exercise of the power of repurchase Shares pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of rule 32 of the Takeover Code. As a result, a shareholder or a group of shareholders acting in concert (within the meaning under the Takeover Code), depending on the level of such increase, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Takeover Code.

As at the Latest Practicable Date, the Substantial Shareholders of the Company are as follows:

Substantial Shareholder	Capacity	Number of Shares held	Approximate percentage of voting power (%)	Approximate percentage of voting power if the Company exercised in full the power to repurchase (%)
Mr. Mo Wai Ming, Lawrence	Beneficial owner (note i)	176,008,000	30.14	33.50
YesMobile Holdings Company Limited	Beneficial owner (note ii)	97,286,400	16.67	18.52
Ms. Wai Lai Yung	Beneficial owner	2,512,000	0.43	0.48
	Held by controlled corporations (note iii)	84,072,000	14.40	16.00
Alexandra Global Investment Fund I, Ltd.	Beneficial owner (note ii)	75,010,000	12.85	14.28
Alexandra Investment Manager, LLC	Beneficial owner (note ii)	75,010,000	12.85	14.28
Mr. Lai Kui Sing, Andy	Held by controlled corporations (note iv)	44,048,000	7.55	8.38
Metrolink	Beneficial owner (note iii)	3,616,000	0.62	0.69
	Held by controlled corporations (note v)	40,432,000	6.93	7.70
ZMGI	Beneficial owner (note iii)	40,432,000	6.93	7.70
Golden Nugget	Beneficial owner (note iii)	40,024,000	6.85	7.62

Notes:

- (i) Mr. Mo Wai Ming, Lawrence is not related to any Substantial Shareholders.
- (ii) These companies are independent to the Company and its Connected Person.
- (iii) Ms. Wai Lai Yung beneficially owns 50% issued capital of Metrolink Holdings Limited (“Metrolink”), 45.45% issued capital of ZMGI Corporation (“ZMGI”) and 100% issued capital of Golden Nugget Resources Limited (“Golden Nugget”) which held 3,616,000, 40,432,000 and 40,024,000 shares in the Company respectively.

- (iv) Mr. Lai Kui Sing, Andy beneficially owns 50% issued capital of Metrolink and beneficially owns 44.25% issued capital of ZMGI.
- (v) Metrolink beneficially owns 88.5% issued capital of ZMGI.

In the event that the Directors shall exercise in full the power to repurchase Shares in accordance with the Repurchase Mandate and if there is no other change in the issued share capital of the Company, the interest of the above Substantial Shareholders would be increased to approximately the percentage shown in the last column above. As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Mr. Mo Wai Ming, Lawrence (“Mr. Mo”) holding beneficial interest of 30.14% in the Company. In the event that the Directors shall exercise the Repurchase Mandate in full, the shareholding of Mr. Mo would increase to approximately 33.5%. Such resulting increase would give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code. However, the Directors do not have the intention to exercise the power to repurchase Shares to an extent which would make the Substantial Shareholders or any Shareholder whether singly or collectively to be obliged to make a mandatory general offer under rule 26 of the Takeover Code in this respect.

7. SHARE PURCHASES MADE BY THE COMPANY

Neither the Company nor any of its subsidiaries has purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

8. PRICES OF SHARES

The highest and lowest prices at which the Shares have traded on the GEM during each of the previous twelve months and prior to the printing of this explanatory are as follows:

	Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2004		
March	1.150	1.000
April	–	–
May	–	–
June	0.780	0.188
July	0.232	0.040
August	0.102	0.050
September	0.071	0.034
October	0.058	0.050
November	0.062	0.040
December	0.085	0.041
2005		
January	–	–
February	0.050	0.038
March (up to 23rd March, 2005)	0.045	0.036