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KANHANA TECHNOLOGIES GROUP LIMITED

看漢科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8175)

ANNOUNCEMENT OF PROPOSED PLACEMENT OF 97,286,400 NEW SHARES

The Board is pleased to announce that the Company entered into a conditional Subscription Agreement on 30 July 2004 with a subscriber to place 97,286,400 new Shares at the Subscription Price of aggregate HK\$9,000,000, representing approximately HK\$0.0925 per Subscription Share. The Subscription Shares represent 20.00% of the Company's existing issued share capital and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

At the request of the Company, trading of the Shares have been suspended on the Stock Exchange from 9:30 a.m. on 30th July 2004 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on 4th August, 2004.

1. THE SUBSCRIPTION AGREEMENT:

Date: 30th July 2004

Parties:

Issuer: the Company

Subscriber: YesMobile Holdings Company Limited

Number of new Shares to be issued and allotted

97,286,400 new Shares will be issued and allotted directly to 1 subscriber. The Subscription Shares represent 20.00% of the Company's existing issued share capital and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

Subscriber

Subject to the fulfilment of the conditions of the Subscription Agreement, the Subscription Shares will be allotted to YesMobile Holdings Company Limited (the "Subscriber") or its nominee(s). The Subscriber and all of its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

The Subscriber and/or its shareholders are not acting in concert with any other shareholders and directors of the Company.

The Subscriber, a company incorporated in the British Virgin Island, is engaged in providing a short message service and mobile content to individual customers and enterprises and offering other value added services of the mobile phone business, such as download portals and interactive voice portals in the PRC, Taiwan, Hong Kong and Malaysia.

Subscription Price

Aggregate HK\$9,000,000, representing approximately HK\$0.0925 per Subscription Share.

The price per Subscription Share represents a premium of approximately 15.9% and approximately 38.1% to the average closing price of HK\$0.0798 per Share and the closing price of HK\$0.067 per Share as quoted on the Stock Exchange for the last 5 trading days including 29th July 2004 and the last trading day on 29th July 2004, respectively, immediately prior to the suspension of trading of the Shares.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber. The Board considers the terms and conditions of the Subscription Agreement to be fair and reasonable and it is in the best interest of the shareholders of the Company as a whole to enter into the Subscription Agreement.

Based on the estimated net proceeds of approximately HK\$8,700,000 from the Subscription, the net amount per Subscription Share to be received by the Company is approximately HK\$0.0894.

Costs and Expenses

Each party shall bear its own legal, accountancy and other costs and expenses incurred in connection with the preparation, negotiation and settlement of the Subscription Agreement.

The Company shall pay all other fees and duties relating to the Subscription and delivery of the Subscription Shares and fulfilment of all other obligation of the Company.

2. GENERAL MANDATE AND SHARE OPTION SCHEME TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be issued and allotted under the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 21st May 2004. As of the date hereof, no Shares have been issued and allotted pursuant to such general mandate.

As at the date hereof, no share option has been granted by the Company under the share option scheme of the Company and the Company does not have any other outstanding warrants or similar rights to subscribe or purchase Shares of the Company.

3. RANKING OF THE SUBSCRIPTION SHARES

The Subscription Shares, when fully paid and issued, will rank pari passu in all respects with the existing issued Shares of par value of HK0.01 each and will receive all dividends and distribution declared, made or paid on or after the date of allotment.

The Subscription Shares shall be issued free from all liens, pledges, encumbrances or any other third party rights.

4. CONDITION OF THE SUBSCRIPTION

Completion is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares on or before 14th August 2004; the Company shall use its best endeavors to procure that the condition shall become fulfilled or satisfied as soon as practicable and in any event not later than 14th August 2004 or such other later date as the Subscriber and the Company may agree in writing.

5. COMPLETION OF THE SUBSCRIPTION

Completion of the Subscription is expected to take place at the principal place of business of the Company in Hong Kong (or such other place as may be agreed between the parties to the Subscription Agreement in writing) on the Business Day following the fulfillment of the condition set out in the section headed "Condition of the Subscription" above (or such other date as may be agreed between the parties to the Subscription Agreement in writing).

At Completion, the Company shall deliver to the Subscriber a copy of the Stock Exchange's approval for the listing of and permission to deal in the Subscription Shares on GEM, issue and allot to the Subscriber or its nominees(s) Subscription Shares and deliver to the Subscriber share certificate(s) for the Subscription Shares. The Subscriber shall pay the Subscription Price to the Company by way of cashier order or banker's draft drawn on a licensed bank in Hong Kong upon Completion.

The Subscriber intends to hold Shares of the Company as an investment. It will not participate into the daily operation of the Company. Therefore, after Completion, the Subscriber will not take a seat in the Board or be involved in the management decision. The Board's representation will remain unchanged.

6. TERMINATION OF THE SUBSCRIPTION

The parties shall have the right to terminate the Subscription Agreement by giving notice in writing to each other at any time prior to the Completion if any one of the events specified under the Subscription Agreement takes place or if the condition set out in the section headed "Condition of the Subscription" above cannot be fulfilled.

7. RESTRICTION ON SUBSCRIPTION SHARES

The Subscriber agrees with and undertakes to the Company that it will not for a period of 12 months from the Completion Date effect any sale, transfer or disposal of any of the Subscription Shares, except that the Subscriber has obtained (i) the prior written consent of the Company or (ii) such sale, transfer or disposal is not recorded as a transaction traded on the Stock Exchange (such sale, transfer or disposal is traded over the counter) and the Subscriber obtains an undertaking executed by the purchaser or transferee of the Subscription Shares in favour of the Company that he will comply with the same restriction.

The Company will make further appropriate announcement once there is a change in any of the Subscription Shares held by the Subscriber under condition (ii) as stated in the aforesaid paragraph.

8. REASONS FOR THE SUBSCRIPTION AND THE USE OF PROCEEDS

The Group is principally engaged in developing and marketing a patented server-based font technology for its real time on-time communications software platform for the Chinese language. The technology enables real time translation of Chinese characters and characters of other languages into graphic display for viewing on a wide variety of Internet devices. The Group also engages in computer telephony integration which will serve and cover interactive voice response system.

As disclosed in the annual report of the Company for the year ended 31st December 2003, the consolidated cash balance was approximately HK\$1,000,000 as at 31st December 2003. The gross proceeds from the Subscription will be HK\$9.0 million and the net proceeds of approximately HK\$8.7 million will be applied for general working capital purpose.

The principal business of the Subscriber, which is providing a short message service, interactive voice portals, mobile content to customers and offering other value added services of the mobile phone business, is similar to that of the Group. As the Subscriber has already had business connection in Beijing and Shanghai, the PRC, the Directors believe that the Subscriber will create synergy with the Group to explore the markets in the PRC once it becomes the Company's shareholder. The Directors are of the view that the Subscription will strengthen the capital base of the Company.

9. SHAREHOLDING STRUCTURE BEFORE AND AFTER COMPLETION

The shareholding structure of the Company immediately before and after Completion is as follow:

	Prior to completion of the Subscription		Immediately upon completion of Subscription Agreement but before the disposal of 4,000,000 Shares by Mr. Mo Wai Ming, Lawrence		Immediately after the disposal of 4,000,000 Shares by Mr. Mo Wai Ming, Lawrence and upon the completion of the Subscription	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
Mo Wai Ming, Lawrence (note 1)	180,008,000	37.01%	180,008,000	30.83%	176,008,000	30.14%
Wai Lai Yung (note 1) (note 2)	86,584,000	17.80%	86,584,000	14.83%	86,584,000	14.83%
Alexandra Investment Manager, LLC	75,010,000	15.42%	75,010,000	12.85%	75,010,000	12.85%
Lee Chi Ming (note 1)	1,432,000	0.29%	1,432,000	0.25%	1,432,000	0.25%
Yuen Ka Lok, Ernest (note 1)	1,432,000	0.29%	1,432,000	0.25%	1,432,000	0.25%
Subscriber	–	–	97,286,400	16.67%	97,286,400	16.67%
Public	141,966,000	29.19%	141,966,000	24.32%	145,966,000	25.01%
Total	<u>486,432,000</u>	<u>100%</u>	<u>583,718,400</u>	<u>100%</u>	<u>583,718,400</u>	<u>100%</u>

Notes:

- (1) Mr. Mo Wai Ming, Lawrence, Ms. Wai Lai Yung, Mr. Lee Chi Ming and Mr. Yuen Ka Lok, Ernest are directors of the Company, in aggregate, they hold 55.39% (269,456,000 Shares) of the Company's total issued Shares.
- (2) These Shares are attributable to Ms. Wai Lai Yung in respect of the 2,512,000 Shares held by herself and the 3,616,000 Shares held by Metrolink Holdings Limited, 40,432,000 Shares held by ZMGI Corporation and 40,024,000 Shares held by Golden Nugget Resources Limited respectively in her capacity as a beneficial owner of these companies.

Immediately upon completion for the Subscription Agreement, the public float of the Shares will fall to about 24.32% of the issued share capital of the company as enlarged by the issue of the Subscription Shares. Accordingly, the Company will not comply with the minimum prescribed percentage of 25% as stipulated in Rule 11.23 of the Listing Rules.

It is the intention of the Company and the Subscriber to maintain the listing of the Shares on the Stock Exchange after completion of the Subscription. Mr. Mo Wai Ming, Lawrence has undertaken to the Stock Exchange that he will sell 4,000,000 Shares, representing approximately 0.69% of the enlarged issued share capital of the Company, in the market prior to the Completion Date to ensure that the sufficient public float will exist for the Shares. Following such disposal and on the Completion Date, the public float for the Shares will be restored to 25%.

The Stock exchange has stated that it will closely monitor trading in the Shares as less than 25% of the Shares are held by public. If the Stock Exchange believes that

- **a false market exists or may exist in the trading in the Shares; or**
- **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 sufficient public float is attained. In this connection, it should be noted that upon the Completion, the percentage of Shares that remains in public hands is less than 25% and therefore trading in the Shares may be suspended until sufficient level of public float is attained.

10. APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

11. SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of the Shares have been suspended on the Stock Exchange from 9:30 a.m. on 30th July 2004 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on 4th August 2004.

12. DIRECTORS

As at the date of this announcement, Mr. Mo Wai Ming, Lawrence, Ms. Wai Lai Yung, Mr. Lee Chi Ming and Mr. Sun Kam Fai, Zacky are executive Directors, Mr. Yuen Ka Lok, Ernest is a non-executive Director, and Ms. Li Mo Ching, Joyce and Ms. Tam Cheuk Ling, Jacqueline are independent non-executive Directors.

13. DEFINITION

In this announcement:

“Board”	means the board of directors of the Company for the time being
“Business Day”	any day (excluding a Saturday) on which banks are generally open for business in Hong Kong
“Company”	KanHan Technologies Group Limited (看漢科技集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 10th October 2002
“Completion”	means completion of the Subscription Agreement
“Completion Date”	means the date on which Completion takes place
“Director(s)”	director(s) of the Company

“GEM”	means the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on GEM
“PRC”	the People’s Republic of China, for the purpose of this announcement, exclude Hong Kong and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares at the Subscription Price pursuant to the Subscription Agreement
“Subscription Agreement”	a conditional subscription agreement entered into between the Subscriber and the Company dated 30th July 2004
“Subscription Price”	HK\$9,000,000 in aggregate, representing approximately HK\$0.0894 per Subscription Share based on the estimated net proceeds of approximately HK\$8,700,000 from the Subscription
“Subscription Share(s)”	new share(s) of the Company to be issued pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percentage or per cent.

By order of the Board
Mo Wai Ming, Lawrence
Chairman

Hong Kong, 3rd August, 2004

* *For identification purpose only*