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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. It also does not constitute a solicitation or an offer to buy any securities of the Company.

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

If you have sold all your shares in KanHan Technologies Group Limited 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.

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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)

MAJOR TRANSACTION IN RELATION TO AN EQUITY LINE OF CREDIT

Financial Adviser to KanHan Technologies Group Limited

South China Capital Limited

16 January, 2004

* *For identification purposes only*

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its posting.

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.

CONTENTS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

"Agreement"	the agreement dated 2 December, 2003 entered into between the Company and GEM Investment Advisors Inc.
"Articles"	articles of association of the Company
"Associates"	as defined under the GEM Listing Rules
"Board"	the board of Directors of the Company
"Company"	KanHan Technologies Group Limited (看漢科技股份有限公司), a company incorporated in the Cayman Islands with limited liability
"Completion"	Signing of the Definitive Documentation
"Definitive Documentation"	The definitive terms under which the Equity Line of Credit is issued to the Company
"Directors"	the directors of the Company
"Drawdown"	exercise of the Equity Line of Credit by the Company
"Drawdown Pricing Period"	the fifteen consecutive trading days immediately prior to the date of the Drawdown
"Equity Line of Credit" or "Equity Line"	a financial facility provided to the Company by GEM Group
"Extraordinary General Meeting"	an extraordinary general meeting to be convened by the Company to consider the proposed special mandate to issue shares
"GEM"	the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"GEM Investment Advisors Inc."	an investment adviser to Global, which has offices at New York in the United States

"GEM Group"	GEM Investment Advisors Inc., its affiliated companies and GEM Global Yield Fund comprise the GEM group, a privately held US-based equity investment group that was founded in 1993 and has offices in Dallas, New York, London and Beijing
"Global"	GEM Global Yield Fund, a discretionary fund with approximately 15 corporate shareholders
"Golden Nugget"	Golden Nugget Resources Limited, a company incorporated in the BVI and a holder of 40,024,000 shares in the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	31 December, 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 13 February, 2003
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares"	shares in the Company issued to Global pursuant to a Drawdown
"Shareholder(s)"	shareholder(s) of the Company
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 24 January, 2003
"Sponsor"	South China Capital Limited

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"ZMGI"	ZMGI Corporation, a company incorporated in the BVI and a holder of 40,432,000 shares in the Company

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 *(Chief executive officer)*
Sun Km Fai, Zacky
Lee Chi Ming
Wai Lai Yung
Yuen Ka Lok, Ernest*
Lai Chau Ming#
Ho Siu Kau#

* *Non-executive Director*
\# *Independent Non-executive Director*

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

Principle Office:
Ground Floor, Tech Centre,
72 Tat Chee Avenue,
Kowloon Tong, Kowloon,
Hong Kong

16 January, 2004

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO PROVISION OF AN EQUITY LINE OF CREDIT TO THE COMPANY BY THE GEM GLOBAL YIELD FUND

INTRODUCTION

It was announced on 12 December, 2003 that on 2 December, 2003, the Company entered into the Agreement with GEM Investment Advisors Inc. acting on behalf of a strategic investor, Global, and subject to Completion. Pursuant to the Agreement, Global will issue an Equity Line of Credit to the Company. The Company will apply to The Stock Exchange for listing and permission to deal in the Shares on the Stock Exchange.

* *For identification purposes only*

Completion is expected within approximately three weeks of the date of this circular. Based on its current share price, the Company will not be able to draw down the entire amount of the Equity Line unless Global disposes of part or all of its initial and subsequent shareholdings. The Company has no knowledge as to whether Global will dispose of any Shares during the term of the Agreement, consequently the Directors cannot give any assurance that the Equity Line will be drawn down to its limit of HK$100 million.

Global may terminate the Equity Line of Credit in the event of material adverse changes in certain circumstances of the Company. Such circumstances include material changes in the operations, financial conditions and prospects of the company and a material reduction in the shareholdings of the Directors in the Company.

Shares will be issued under a general mandate regarding issue of shares up to 20 percent of the existing issued share capital granted at the annual general meeting of the Company held on 21 May, 2003. The Directors will seek a special mandate to issue such shares which exceed the amount covered in the general mandate. The special mandate is expected to be sought in a meeting to be held on the date of the next annual general meeting of the Company. The Shares will rank pari passu in all respects with the ordinary shares in issue at the date of issue of the Shares, including the right to receive a dividend or other distribution thereafter made, declared or paid. Under the Agreement there are no restrictions on the subsequent sale of such securities.

The Directors consider that the HK$100 million Equity Line under the Agreement will constitute a Major Transaction under Chapter 19 of the GEM Listing Rules, with reference to the management accounts as of 30 September, 2003. The Company will comply with the requirements of Chapter 19 of the GEM Listing Rules for a Major Transaction including, but not limited to, shareholder approval and make the required disclosures and announcements.

Separate announcements will be made upon each Drawdown. Furthermore, the Company will comply with the relevant GEM Listing Rules including, but not limited to, those in Chapter 21 relating to the grant of warrants. The impact of an initial maximum Drawdown under the Agreement on the public float, based on an issue price for the Shares of HK$1.10, is a likely increase in the public float of approximately 25 million shares increasing the public float to approximately 28 percent of the issued share capital. The Company will ensure compliance with the minimum prescribed percentage of 25 percent of the issued shares in public hands as required by Rule 11.23 of the GEM Listing Rules.

Based on the latest adjusted net assets of the Company and the application of Rule 19.18 of the GEM Listing Rules, as disclosed in the public announcement dated 12 December 2003, the drawdown of the Equity Line up to a maximum limit of HK$100 million constitutes a major transaction involving the issue of new securities by the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to shareholder's approval. Such shareholder's approval has been obtained in writing from Mr. Mo Wai Ming, Lawrence, Ms. Wai Lai Yung, Mr. Lee Chi Ming, Mr. Yuen Ka Lok, Ernest, Golden Nugget, and ZMGI, being shareholders of the Company collectively holding approximately 54% of the issued shares of the Company as at the latest practicable date giving the right to attend and vote at shareholders meetings of the Company. The aforesaid Mr. Mo, Ms. Wai and Mr. Lee are executive directors of the Company. Mr. Mo Wai Ming, Lawrence, Golden Nugget and ZMGI were initial management shareholders of the Company. Pursuant to Rule 19.41 of the GEM Listing Rules on the basis that the interests of Mr. Mo Wing Mai, Lawrence, Ms. Wai Lai Yung, Mr. Lee Chi Ming, Mr. Yuen Ka Lok, Ernest, Golden Nugget and ZMGI are the same as all other shareholders of the Company it will not be necessary to convene a meeting of shareholders to approve the same the Agreement.

THE EQUITY LINE OF CREDIT

Under the Agreement, Global will provide a financing facility (the "Equity Line of Credit" or the "Equity Line") to the Company by investing, at the sole discretion of the Company, up to HK$100,000,000 in new ordinary shares to be issued by the Company to Global over three years from the date of Completion (the "Shares"). After Completion the Company may at its sole discretion at any time issue a notice to Global (a "Drawdown Notice") that it intends to exercise the Equity Line (a "Drawdown"). Under the Agreement, following the issue of a Drawdown Notice by the Company Global will purchase the Shares at a price equivalent to ninety percent of the average closing price of listed shares in the Company during the Drawdown Pricing Period. There is no provision in the Agreement that would invalidate the Agreement in the event that Global owns more than 4.9% of the issued shares of the Company. There is no provision in the Agreement that restricts Global as to the amount of warrants on shares in the Company that it may be hold.

Multiple Drawdowns may be made during the term of the Agreement until their aggregate value is equal to the maximum limit of the Equity Line. Based on the closing share price of HK$1.10 as at 13 January, 2004 the holding of 4.9 percent of the Company's shares involves a Drawdown of approximately HK$27.6 million. Based on the maximum aggregate drawdown under the Equity Line of HK$100 million and the recent trading price of HK$1.10 the number of Shares that could be issued under the Agreement would be approximately 91 million Shares, amounting to approximately 16 percent of the enlarged issued share capital of the Company. However, under the Agreement Global covenants not to hold in excess of 4.9 percent of the Company's issued share capital at any time. The Agreement provides that Global will be granted warrants to subscribe for shares in the Company equivalent to 25 percent of the number of Shares issued to Global. The warrants will have a term of three years and an exercise price equivalent to the market price of the Company's shares on the date of pricing of the Shares. The warrants are not included in Global's limit on holding 4.9% of the Company's shares. There is no present intention to apply to list the warrants.

Application will be made the Stock Exchange for listing and permission to deal in the Shares. Neither Shares nor warrants will be underwritten. There is no minimum amount of capital which the Company must raise for the issue to proceed. Dealings in the shares of the Company may be settled through CCASS. Investors should seek the advice of a stockbroker or other professional adviser for details of these settlement arrangements and how such arrangements will affect their rights and interests.

FINANCIAL IMPACT OF THE EQUITY LINE OF CREDIT

The Equity Line, if and when fully drawn down, will materially increase the share capital of the Company, although the amount of the increase is dependent on the future price of the Company's shares and cannot be ascertained in advance. The Directors consider that, based on the results disclosed in the Company's third quarterly report for the nine months ended 30 September, 2003 in which the Company's revenue for the nine months ended 30 September, 2003 increased by approximately 134 percent over the previous period in 2002, the Company should be able to continue operating successfully even if the Agreement is terminated prior to full drawdown of the Equity Line of Credit.

Since the Equity Line is not repayable, Drawdown will not lead to a change in the liabilities of the Company. On the other hand, the assets of the company will increase by the approximate value of the Drawdown, net of expenses.

INDEBTEDNESS

As at the Latest Practicable Date the Group had no outstanding debt securities and there was only one non-current liability of HK$1,486,000 representing financial assistance received from The Innovation and Technology Fund of the Government of Hong Kong. The funding is unsecured, non-interest bearing and repayable to The Innovation and Technology Fund when revenue is generated from the particular software product which the funding was used to develop. The amount repaid, if any, will be repaid in stages and calculated with in accordance with revenue generated from the specific product and as at the latest practicable date none was repayable. As at the Latest Practicable Date, 31 December, 2003, the Group has no mortgages, charges, contingent liabilities or other long term liabilities.

SUFFICIENCY OF WORKING CAPITAL

In the opinion of the Directors, based on the current financial resources of the Company, the Directors consider that the working capital of the Group is sufficient for the Group to continue operating successfully, even if the Equity Line is not drawn down.

MAJOR TERMS OF THE EQUITY LINE OF CREDIT

Parties

1) **KanHan Technologies Group Limited**, a company incorporated in the Cayman Islands whose principal place of business is situated at Unit 6, Ground Floor, Tech Centre, 72 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong;

2) **GEM Global Yield Fund Limited** (together with its permitted successors and assigns), a Nevis international business corporation whose registered office is at Hunkans Waterfront Plaza, P.O. Box 556, Main Street, Memorial Square, Charlestown, Nevis, West Indies; and

3) **GEM Investment Advisors, Inc.**, a company incorporated in the USA whose registered office is at 712 Fifth Avenue, 7th Floor, New York, NY 10019.

Major Terms

1) The Agreement is governed by the laws of Hong Kong.

2) The term of the Agreement is three years from the date of Completion.

3) The Equity Line may be exercised at the discretion of the Company.

4) The Company may issue Shares to Global at a discount of 10 percent to the average closing share price for the 15 trading days immediately prior to a Drawdown

5) The Company will arrange for Global to borrow shares from existing shareholders in the Company until Shares to be issued to Global under a Drawdown are listed.

6) The Company will issue warrants to Global amounting to 25 percent of the number of Shares issued.

7) Global covenants not to hold in excess of 4.9 percent of the issued share capital of the Company at any time.

8) The Agreement may be terminated by mutual agreement or by Global by giving written notice of such termination to the Company, if the Company has breached any representation, warranty, covenant or agreement contained in this Agreement and, if such breach is capable of being remedied, such breach is not rectified within five Business Days following receipt by the Company of notice of such breach, or if there has been a material adverse change in the circumstances of the Company or a material change in ownership of the Company.

Completion is conditional upon fulfillment of certain conditions including but not limited to:

(i) the written agreement between a majority of holders of ordinary shares of the Company to approve Completion; and

(ii) all necessary consents or approvals as may be required in connection with the Completion being obtained.

REASONS FOR ENTERING INTO THE AGREEMENT

The Directors consider that the proposed use of funds to be raised will be in line with the Company's principal business and business objectives as stated in the Prospectus and there will be no change in the Company's principal business and business objectives. Approximately HK$3 million to HK$15 million will be used to develop business alliances, partnerships, or make acquisitions of assets in the PRC which would benefit by using the Company's software platform. These businesses or assets are intended to operate in the fields of logistics, popular entertainment, or the provision database information and to be located in Guangdong Province, Beijing or Shanghai. Approximately HK$5 million to HK$10 million will be used as working capital to develop the Company's text to speech technology in applications for consumer markets in the PRC and Hong Kong. The Company's current intention is to drawdown up to HK$25 million under the Equity Line and therefore the maximum drawdown limit of HK$100 million under the Agreement may not be reached. The Directors believe that opportunities available to the Company in its principal business in the PRC in the field of software for mobile phone systems, fixed line phone systems, and for developing and marketing interactive voice response products justify enlarging the capital base of the Company. The Directors state that no agreements have been reached or signed in respect of the aforementioned business opportunities and that announcements will be made once agreements have been signed and the Company will comply with the relevant GEM Listing Rules as appropriate. The Directors are of the view that the terms of the major transaction are fair and reasonable, in the interests of the shareholders as a whole, and the agreement is entered into in the ordinary and usual course of business of the Group.

INFORMATION ABOUT THE COMPANY

The Company is principally engaged in developing and marketing a patented server based font technology for its real time on-line communications software platform for the Chinese language. The shares of the Company have a par value of HK$0.01 and the authorised share capital of the Company is HK$2,000 million.

The audited balance sheet and income statement as at 31 December, 2002, and the unaudited income statement for the nine months to 30 September, 2003 are shown below.

PROFORMA CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2002

	NOTES	**2002**	**2001**
		HK$'000	*HK$'000*
Turnover	*4*	8,801	2,448
Direct costs		(791)	(198)
Gross profit		8,010	2,250
Other operating income		45	44
Research and development expenses		(100)	(2,067)
Administrative expenses		(3,975)	(5,011)
Selling and distribution expenses		(78)	(627)
Profit (loss) from operations	*6*	3,902	(5,411)
Finance costs	*7*	(181)	(23)
Profit (loss) for the year		3,721	(5,434)
Earnings (loss) per share – Basic	*11*	0.89 cents	(1.38 cents)

PROFORMA CONSOLIDATED BALANCE SHEET

At 31st December, 2002

	NOTES	2002	2001
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	228	607
Development expenditure	13	2,866	1,917
		3,094	2,524
CURRENT ASSETS			
Trade and other receivables	14	8,467	175
Amount due from a related company	15	44	36
Bank balances and cash		108	322
		8,619	533
CURRENT LIABILITIES			
Other payables		1,459	1,046
Amounts due to related companies	16	300	69
Short term loans	17	150	–
Loans from a shareholder	18	681	–
8% convertible note	19	764	–
Bank overdrafts		1,890	50
		5,244	1,165
NET CURRENT ASSETS (LIABILITIES)		3,375	(632)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,469	1,892
NON-CURRENT LIABILITIES			
3% convertible note	20	1,800	1,800
Financial assistance from government	21	1,507	1,279
		3,307	3,079
		3,162	(1,187)
CAPITAL AND RESERVES			
Share capital	22	901	820
Reserves		2,261	(2,007)
		3,162	(1,187)

The proforma financial statements were approved and authorised for issue by the Board of Directors on 27th March, 2003 and are signed on its behalf by:

Mo Wai Ming, Lawrence	**Sun Kam Fai, Zacky**
Director	*Director*

NOTES TO THE PROFORMA FINANCIAL STATEMENTS

For the year ended 31st December, 2002

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 10th October, 2002 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 15th January, 2003. Details of the Group Reorganisation were set out in the prospectus issued by the Company dated 13th February, 2003 (the "Prospectus").

The shares of the Company were listed on the GEM on 25th February, 2003.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the proforma consolidated financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants.

The Company is an investment holding company. The principal activity of its principal subsidiaries is provision of communications software platforms.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised SSAPs. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash flow statements

Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest received and interest paid, which were previously presented under a separate heading, are classified as investing cash flows and financing cash flows respectively.

Employee benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the proforma financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The proforma financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong except that the effects of the Group Reorganisation entered into after the balance sheet date have been accounted for using merger accounting which is not in accordance with the requirements of SSAP27. The principal accounting policies adopted are as follows:

Basis of consolidation

The proforma consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

Except for the Group Reorganisation which is completed on 15th January, 2003, the results of subsidiaries acquired or disposed of during the year are included in the proforma consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Revenue recognition

Sales of licensed software are recognised when goods are delivered and the right to use the licence is established.

Revenue from maintenance service contracts, which is received or receivable from customers when the maintenance service contracts are entered into, is amortised and credited to the proforma income statement on a straight-line basis over the term of the maintenance service contract.

Software rental income and subscription income from software application are derived from providing software application to customers. The income is recognised when services are provided.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Computer equipment	$33^1/_3$%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life when the project is completed and put into commercial use.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the proforma financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. TURNOVER

Turnover comprises revenue from the following activities in the Group's server-based language technology business:

	2002	2001
	HK$'000	*HK$'000*
Sales of licensed software	8,560	2,319
Software maintenance	200	112
Software rental and subscription income	41	17
	8,801	2,448

5. SEGMENT INFORMATION

Business segments

As the Group is solely engaged in the development of server-based language technologies during the year, the assets and revenue of the Group as at the balance sheet date and during the year were solely deployed in and derived from this business segment. Accordingly, segmental analysis of information by business segment is not meaningful.

Geographical segments

The Group's operations are located in Hong Kong. The Group reports its primary segment information by geographical location of its customers who are principally located in the People's Republic of China (the "PRC") including Hong Kong, United States of America ("USA") and Taiwan. Segment information about these geographical markets is presented below:

	Revenue		Net profit (loss) for the year	
	2002	2001	2002	2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	5,273	1,983	4,800	1,730
The PRC, other than Hong Kong	3,524	82	3,207	76
USA	–	251	–	230
Taiwan	–	132	–	121
Others	4	–	3	–
	8,801	2,448		
Segment results			8,010	2,157
Other operating income			45	44
Unallocated corporate expenses			(4,153)	(7,612)
Profit (loss) from operations			3,902	(5,411)
Interest on borrowings wholly repayable within five years			(181)	(23)
Net profit (loss) for the year			3,721	(5,434)

The assets and liabilities of the Group at the balance sheet date were substantially located in Hong Kong and substantially employed at the head office level in Hong Kong except for a balance of trade receivable of approximately HK$2,585,000 as at 31st December, 2002 (2001: HK$Nil) was attributable to sales to customers in the PRC. Accordingly, no analysis of the Group's assets and liabilities, capital additions or depreciation is presented.

6. PROFIT (LOSS) FROM OPERATIONS

	2002	**2001**
	HK$'000	*HK$'000*
Profit (loss) from operations has been arrived at after charging:		
Directors' remuneration (note 8)	1,312	1,312
Retirement benefit scheme contributions	120	121
Other staff costs	2,708	2,892
Total staff costs	4,140	4,325
Less: amount capitalised in development expenditure	(1,284)	(1,348)
	2,856	2,977
Amortisation of development expenditure	354	103
Auditors' remuneration	200	55
Bad debts written off	–	93
Depreciation	238	366
Less: amount capitalised in development expenditure	(13)	(41)
	225	325
Loss on disposal of property, plant and equipment	154	113
Impairment of development expenditure	–	46
and after crediting:		
Interest income	45	36

7. FINANCE COSTS

	2002 *HK$'000*	2001 *HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	10	–
Convertible notes	111	23
Loans from shareholders	57	–
Short term loans	3	–
	181	23

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) DIRECTORS

	2002 *HK$'000*	2001 *HK$'000*
Directors' fee	–	–
Other emoluments:		
Salaries and other allowances	1,300	1,300
Retirement benefits scheme contributions	12	12
	1,312	1,312

During each of the two years ended 31st December, 2002, only one director received emoluments from the Group, details of which are set out above. The other directors of the Company did not receive any emolument.

The directors' remuneration was within the following bands:

	2002 Number of directors	2001 Number of directors
Nil to HK$1,000,000	6	6
HK$1,000,001 to HK$1,500,000	1	1

The above emoluments included operating lease rentals of HK$480,000 (2001: HK$480,000) paid for a director's quarter for the year ended 31st December, 2002.

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director waived any emoluments for each of the two years ended 31st December, 2002.

(b) EMPLOYEES

The five highest paid individuals included one (2001: one) director of the Company, details of whose emolument are set out above. The emoluments of the remaining four (2001: four) individuals, which fall within the band of nil to HK$1,000,000 for each of the two years ended 31st December, 2002, are as follows:

	2002	2001
	HK$'000	*HK$'000*
Salaries and other benefits	1,162	1,438
Retirement benefit scheme contributions	44	46
	1,206	1,484

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. TAXATION

No tax is payable on the profit for the year ended 31st December, 2002 arising in Hong Kong since the estimated assessable profit is wholly absorbed by tax losses brought forward. Tax losses carried forward amounting to approximately HK$10,148,000 (2001: HK$16,635,000).

No provision for taxation has been made in the proforma financial statements for the year ended 31st December, 2001 as the Group incurred a loss for that year.

Details of the deferred taxation asset not recognised are set out in note 24.

10. DIVIDEND

No dividend has been paid or declared by the Company or any of its subsidiaries during the years ended 31st December, 2002 and 2001.

11. EARNINGS (LOSS) PER SHARE

The computation of the basic earnings (loss) per share for the year is based on the profit for the year of approximately HK$3,721,000 (2001: a loss of HK$5,434,000) and on the weight average number of 420,000,000 (2001: 417,263,308) shares as if the Group Reorganisation completed on 1st January, 2001.

Diluted earnings (loss) per share is not presented as the conversion of the Company's outstanding convertible notes would result in an increase in earnings per share for the year ended 31st December, 2002, and a decrease in loss per share for the year ended 31st December, 2001.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
THE GROUP				
COST				
At 1st January, 2002	182	237	544	963
Additions	–	4	9	13
Disposals	(179)	(23)	–	(202)
At 31st December, 2002	3	218	553	774
DEPRECIATION				
At 1st January, 2002	34	66	256	356
Provided for the year	10	45	183	238
Eliminated on disposals	(42)	(6)	–	(48)
At 31st December, 2002	2	105	439	546
NET BOOK VALUE				
At 31st December, 2002	1	113	114	228
At 31st December, 2001	148	171	288	607

13. DEVELOPMENT EXPENDITURE

	HK$'000
THE GROUP	
COST	
At 1st January, 2001	1,258
Additions	1,429
Transfer to property, plant and equipment	(498)
At 31st December, 2001 and 1st January, 2002	2,189
Additions	1,303
At 31st December, 2002	3,492
AMORTISATION AND IMPAIRMENT	
At 1st January, 2001	123
Provided for the year	103
Impairment during the year	46
At 1st January, 2002	272
Provided for the year	354
At 31st December, 2002	626
NET BOOK VALUE	
At 31st December, 2002	2,866
At 31st December, 2001	1,917

The development expenditure is amortised over the estimated useful lives of the projects of 3 years.

14. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing a credit period from 30 to 120 days to its trade customers.

Included in trade and other receivables are trade receivables of approximately HK$7,731,000 (2001: HK$4,000) and an aged analysis of which is as follows:

	THE GROUP	
	2002	**2001**
	HK$'000	*HK$'000*
0 - 30 days	3,387	4
31 - 60 days	4,140	–
Over 90 days	204	–
	7,731	4

15. AMOUNT DUE FROM A RELATED COMPANY

The amount represents an amount due from Cyber Systems Limited, the then ultimate holding company of KanHan Technologies Inc. ("KanHan (BVI)") and KanHan Technologies Limited ("KanHan (HK)"), prior to the Group Reorganisation.

The amount was unsecured, non-interest bearing and was fully settled subsequent to the balance sheet date.

16. AMOUNTS DUE TO RELATED COMPANIES

Name of related company	**2002**	**2001**
	HK$'000	*HK$'000*
Metrolink Holdings Limited ("Metrolink")	62	69
Yorkshire Capital Limited ("Yorkshire")	238	–
	300	69

As at 31st December, 2002, Metrolink owned less than 10% interest in KanHan (BVI). Ms. Wai Lai Yung, a director of the Company, is also a director of Yorkshire.

The amounts are unsecured, non-interest bearing and repayable on demand.

17. SHORT TERM LOANS

The amounts were advanced by independent third parties. They were unsecured, interest bearing at 5% per annum and repayable on 31st January, 2003. The amounts were fully settled subsequent to 31st December, 2002.

18. LOANS FROM A SHAREHOLDER

These are unsecured loans from Metrolink. The loans were interest bearing at 12% per annum and were repayable between April 2002 and August 2002 (the "Due Dates"). If the loans were not repaid on the relevant Due Dates, interest would be charged at 24% per annum on the amount outstanding as from the relevant Due Dates. On 1st August, 2002, a supplementary agreement was entered into between the Group and Metrolink such that the Due Dates were extended to 31st December, 2003 (the "Extended Due Date"). The interest rate was also changed to 8% per annum for the period form 1st August, 2002 to the Extended Due Date.

19. 8% CONVERTIBLE NOTE

On 22nd April, 2002, a 8% convertible note with a face amount of HK$1 million and a maturity date of 31st March , 2003 (the "8% Note") was issued by KanHan (BVI) to Timeless Strategy Limited ("Timeless Strategy"). Pursuant to the terms of the 8% Note, Timeless Strategy had the right to convert the principal amount of the 8% Note together with accrued interest thereon into shares of KanHan (BVI) (the "Conversion Right") anytime prior to its maturity date. On 17th January, 2003, KanHan (BVI) and Timeless Strategy entered into a supplemental deed pursuant to which Timeless Strategy has agreed to abandon its Conversion Right and the 8% Note will be repayable on or before 31st March, 2003.

20. 3% CONVERTIBLE NOTE

On 3rd August, 2001, a 3% convertible note with a face amount of HK$1.8 million and a maturity date of 3rd August, 2003 (the "3% Note") was issued by KanHan (BVI) to Timeless Strategy. Pursuant to the terms of the 3% Note, the 3% Note was partly repayable in cash and partly convertible into shares of KanHan (BVI) based on a pre-determined formula should there be capital injections into KanHan (BVI). On 9th October, 2002, KanHan (BVI) and Timeless Strategy entered into a deed, pursuant to which Timeless Strategy agreed that on the listing of the Company's shares on the GEM it would convert the entire principal amount of the 3% Note together with accrued interest thereon into 6,432,000 new shares of HK$0.01 each in the Company. On 21st February, 2003, the 3% convertible note with approximately HK$4,000 accrued interest was converted into 6,432,000 shares of the Company, the remaining portion of the accrued interest of approximately HK$80,000 was settled by cash.

21. FINANCIAL ASSISTANCE FROM GOVERNMENT

The Innovation and Technology Fund ("ITF") of the HKSAR government has provided financial assistance to the Group to assist in a specific product development. The funding is unsecured, non-interest bearing and repayable to ITF when revenue is generated from the specific product. The amount repaid, if any, will be in stages and calculated with reference to the revenue generated.

In the opinion of the directors, the funding will not be repaid to the ITF within the next twelve months from 31st December, 2002. Accordingly, the balance is classified as a non-current liability.

22. SHARE CAPITAL

	Number of shares	Amount	Shown in the financial statements
		US$	*HK$*
Ordinary shares of US$0.01 each			
At 1st January, 2001	10,277,000	102,770	796,468
Issue of shares	303,500	3,035	23,521
At 31st December, 2001 and 1st January, 2002	10,580,500	105,805	819,989
Issue of shares	1,042,000	10,420	81,181
At 31st December, 2002	11,622,500	116,225	901,170

Note: For the year ended 31st December, 2002 and 2001. KanHan (BVI) allotted and issued 1,042,000 and 303,500 shares of US$0.01 each respectively, at prices ranging from US$0.01 to US$1.33 per share to provide additional working capital for KanHan (BVI). These shares ranked pari passu with the then existing shares of KanHan (BVI) in all respects.

23. SHARE OPTIONS

Pursuant to the share option scheme adopted by KanHan (BVI) on 7th November, 2000 (the "Old Scheme"), the directors of KanHan (BVI) may at its discretion, grant options to eligible employees (including directors) and consultants of KanHan (BVI) from 30th November, 2000 to 30th November, 2003 to subscribe for shares in KanHan (BVI). Options under the Old Scheme was to be granted at a consideration of HK$1 with an exercise price of US$1 per share. Options granted are exercisable within 3 years from the date of grant.

Details of the options granted under the Old Scheme are as follows:

	Directors	Other employees and consultants	Total
	(Number of KanHan (BVI) Shares)		
At 1st January, 2001	160,000	860,000	1,020,000
Granted during the year	–	220,000	220,000
At 31st December, 2001	160,000	1,080,000	1,240,000
Cancelled during the year	(160,000)	(1,030,000)	(1,190,000)
At 31st December, 2002	–	50,000	50,000

On 24th January, 2003, a new share option scheme was adopted by the Company pursuant a written resolution of the Company (the "New Scheme").

The purpose of the New Scheme is to provide eligible employees with performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership. The Board of Directors may, at its discretion, invite any full-time employee of the Company, including any executive and non-executive directors of the Company, or any subsidiaries of the Company to take up options to subscribe for shares of the Company. The options must be accepted within 28 days from the date of grant. The total number of shares of the Company available for issue under the New Scheme is 48,643,200 share representing 10% of the issued share capital as at the date when the Company's shares were listed. The total number of shares of the Company issued and to be issued upon exercise of the options granted to a participant under the New Scheme and any other share option scheme adopted by the Group (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue from time to time.

An option may be exercised at any time during a period to be determined and notified by the Board of Directors to each participant, which period shall commence on a day following the expiration of 12 months after the date on which the Company's shares commence trading on GEM. Options might be granted at a consideration of HK$1. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The subscription price for the shares of the Company will be a price determined by the Board of Directors and will be the highest of (i) the closing price of the shares on the GEM as stated in the Stock Exchange's daily quotations on the date of the offer grant; (ii) the average closing price of the shares on the GEM as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer grant; and (iii) the nominal value of the shares. The New Scheme will be valid and effective for a period of 10 years commencing 24th January, 2003.

Upon adoption of the New Scheme, no further options will be granted under the Old Scheme.

24. DEFERRED TAXATION ASSET NOT RECOGNISED

At the balance sheet date, the major components of the deferred taxation assets (liabilities) not recognised in the financial statements are as follows:

	2002	**2001**
	HK$'000	*HK$'000*
Tax effect of timing differences attributable to:		
Taxation losses available to set off future profits	1,624	2,112
Development expenditure claimed as tax deductible expense	(208)	(221)
Excess of tax allowance over depreciation	(25)	(60)
	1,391	1,831

The amount of potential deferred taxation credit (charge) for the year is as follows:

	2002 *HK$'000*	2001 *HK$'000*
Tax effect of timing difference attributable to:		
Taxation losses (utilised) arising	(488)	1,474
Development expenditure claimed as tax deductible expense	13	(11)
Differences between tax allowance and depreciation	35	(46)
	(440)	1,417

25. OPERATING LEASE COMMITMENTS

The Group made approximately HK$705,000 (2001: HK$758,000) minimum lease payments under operating leases during the year in respect of office premises.

The Group as lessee

At the balance sheet date, the Company and the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002 *HK$'000*	2001 *HK$'000*
Within one year	643	406
In the second to fifth year inclusive	514	–
	1,157	406

Leases and rentals are generally fixed throughout the lease period.

The Company had no operating lease commitments at the balance sheet date.

26. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("Scheme") for all its qualifying employees. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

27. RELATED PARTY TRANSACTIONS

During the year, the Group had significant transactions with related companies. The significant transactions with these companies during the year are as follows:

Name of company	Nature of transactions	2002 *HK$'000*	2001 *HK$'000*
Metrolink	Interest expenses paid on advances	57	–
Timeless Strategy and its affiliate	Interest expenses paid on convertible notes	111	23
Timeless Strategy and its affiliate	Sales of licensed software	236	–
Timeless Strategy and its affiliate	Research and development expenses paid	–	1,400
Yorkshire	Consultancy fee paid	240	–

In addition, rental expenses of HK$480,000 (2001: HK$480,000) were paid to Comeasy Communication Limited ("Comeasy"), a company in which Mr. Mo Wai Ming, Lawrence, ("Mr. Mo") has a beneficial interest. The amount has been included in the directors' emoluments in note 8.

As at 31st December, 2002, the bank overdrafts of approximately HK$1,890,000 (2001: HK$Nil) are personally guaranteed by Mr. Mo and secured by a property held by Comeasy.

The above transactions were carried out in accordance with terms determined and agreed by both parties.

28. POST BALANCE SHEET EVENTS

(a) Pursuant to a written resolution of the sole shareholder of the Company on 15th January, 2003, the following resolutions were passed:

(i) the authorised share capital of the Company was increased from HK$390,000 divided into 39,000,000 shares to HK$20,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,961,000,000 shares to rank pari passu with the existing shares in all respects; and

(ii) an aggregate of 11,522,500 shares of HK$0.01 each were allotted and issued, credited as fully paid to the then shareholders of KanHan (BVI) as consideration for the Company's acquisition of the entire issued capital of KanHan (BVI).

(iii) a sum of HK$1,000 being part of the amount credited to the share premium account of the Company to be applied to pay up in full at par the 100,000 nil paid shares held by Mr. Mo.

(b) Pursuant to the Prospectus issued by the Company, the Company allotted and issued 60,000,000 new shares of HK$0.01 each in the Company at issue price of HK$0.33 per share, creating a share premium of HK$19,200,000.

(c) Upon creation of the share premium account as described in (b) above and pursuant to resolution passed in a special general meeting of the Company on 24th January, 2003, 408,377,500 share of HK$0.01 each in the Company were allotted and issued to those shareholders whose names appeared as the register of members on 23rd January, 2003 by way of capitalising a sum of HK$4,083,775 standing to the credit of the share premium account of the Company.

(d) On 21st February, 2003, Timeless Strategy converted the principal amount of HK$1.8 million under a 3% convertible note issued by KanHan (BVI) into 6,432,000 shares of HK$0.01 each in the Company;

(e) The Group's bank overdraft facility which was secured by a property held by Comeasy was cancelled on 18th February, 2003 and the personal guarantee by Mr. Mo was then released.

29. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31st December, 2002 are as follows:

Name of subsidiary	Place of incorporation	Form of entity	Nominal value of issued ordinary capital	Attributable equity interest to the Company Directly %	Indirectly %	Principal activities
KanHan (BVI)	British Virgin Islands	Limited liability company	Ordinary US$116,225	100	–	Investment holding
KanHan (HK)	Hong Kong	Limited liability company	Ordinary HK$200,000	–	100	Provision of communications software platforms

None of the subsidiaries had any debt capital outstanding at the end of the year or at any time during the year.

FINANCIAL RESULTS (UNAUDITED) FOR THE THIRD QUARTER OF 2003

		Three months ended 30th September		Nine months ended 30th September	
		2003	**2002**	**2003**	**2002**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*2*	879	121	1,710	731
Direct costs		(753)	(152)	(1,265)	(542)
Gross profit		126	(31)	445	189
Other operating income		2	–	46	–
Selling and distribution expenses		(360)	(136)	(902)	(469)
Administrative expenses		(1,853)	(881)	(4,810)	(2,478)
Loss from operations		(2,085)	(1,048)	(5,221)	(2,758)
Finance costs		–	(92)	(5)	(119)
Loss before taxation		(2,085)	(1,140)	(5,226)	(2,877)
Taxation	*3*	–	–	–	–
Loss for the period		(2,085)	(1,140)	(5,226)	(2,877)
Loss per share	*4*	(0.43 cents)	(0.27 cents)	(1.07 cents)	(0.68 cents)

Notes:

1. Group Reorganisation and Basis of Preparation of Financial Statements

The Company was incorporated in the Cayman Islands on 10th October, 2002 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 15th January, 2003. Details of the Group Reorganisation were set out in the prospectus issued by the Company dated 13th February, 2003 (the "Prospectus").

The shares of the Company were listed on the GEM on 25th February, 2003.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants.

The accounting policies have been consistently applied by the Company and are consistent with those used in the 2002 annual financial statements except for the changes due to adoption of the new and revised SSAPs which have become effective since 1st January 2003. The adoption of these revised SSAPs has no material effect on the Group's results.

The Company is an investment holding company. The principal activity of its principal subsidiaries is provision of communications software platforms.

2. Turnover

Turnover comprises revenue from the following activities in the Group's server-based language technology business:

	Three months ended 30th September		Nine months ended 30th September	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales of licensed software	828	33	1,582	586
Software maintenance	45	82	111	125
Software rental and subscription income	6	6	17	20
	879	121	1,710	731

The Group's operations are located in Hong Kong. The Group reports its primary segment information by geographical location of its customers who are principally located in Hong Kong, Taiwan, and the People's Republic of China (the "PRC"). Segment information about these geographical markets is presented below:

	Three months ended 30th September		Nine months ended 30th September	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
China	36	–	79	34
Taiwan	36	–	36	–
HK	807	121	1,595	697
	879	121	1,710	731

3. Taxation

No provision for Hong Kong profits tax has been made in the account as the Group had no assessable profits in Hong Kong for the nine months period ended 30th September, 2003 (2002: Nil).

4. Loss Per Share

The computation of the Group's basic loss per share for the nine months period ended 30th September, 2003 is based on the Group's loss attributable to shareholders of approximately HK$5,226,000 (2002: a loss of approximately HK$2,877,000) and on the weighted average number of shares issued during the period of 486,432,000 (2002: 420,000,000).

No diluted loss per share was presented as there were no dilutive potential ordinary shares outstanding.

5. Reserves

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium and accumulated profit of the Company are available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Article of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

	Share Premium *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1st January, 2002	9,297,830	(10,758,317)	(1,460,487)
Loss for the 9 months ended 30th September, 2002	–	(2,877,147)	(2,877,147)
At 30th September, 2002	9,297,830	(13,635,464)	(4,337,634)
At 1st January, 2003	9,297,830	(7,037,144)	2,260,686
Loss for the 9 months ended 30th September, 2003	–	(5,225,827)	(5,225,827)
Group reorganization	(6,251,199)	7,037,144	785,945
Amount utilized upon capitalization issue	(4,084,775)	–	(4,084,775)
Arising from the issuance of shares upon capitalization of loan due to related company	1,739,856	–	1,739,856
Issue of shares	19,200,000	–	19,200,000
Share placement expenses	(5,018,723)	–	(5,018,723)
30th September, 2003	14,882,989	(5,225,827)	9,657,162

6. Dividend

No dividend has been paid or declared by the Company or any of its subsidiaries for the nine months period ended 30th September 2003 and 2002.

INFORMATION ABOUT GLOBAL AND GEM INVESTMENT ADVISORS INC.

GEM Investment Advisors Inc. has offices at New York in the United States and is investment adviser to Global. GEM Investment Advisors Inc., its affiliated companies and Global comprise the GEM Group, a privately held US-based equity investment group that was founded in 1993 and has offices in Dallas, New York, London and Beijing. The GEM Group provides funding or serves as an investor in identifying and structuring financing for acquisitions and other special situations. The GEM Group has completed over 135 investments or transactions in quoted and unquoted companies in diverse industries and transactional structures, in thirteen different countries and representing over US$2 billion in capital. The purpose of Global's investment in the Company is for capital gain. Global's Shares will be held directly.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

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

1. RESPONSIBILITY STATEMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:–

(a) the information contained in this document is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this document misleading; and

(c) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors

As at 25th February, 2003, the date on which the Company's shares were listed on the Stock Exchange, the interests of the directors and their associates in the issued share capital of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or which are required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

	No. of shares held		
Name of directors	**Personal interests**	**Corporate interests**	**Approximate percentage**
Mr. Mo Wai Ming, Lawrence	180,008,000	–	37.0
Ms. Wai Lai Yung	2,512,000	84,072,000*	17.8
Mr. Lee Chi Ming	1,432,000	–	0.3
Mr. Yuen Ka Lok, Ernest	1,432,000	–	0.3

* These shares are attributable to Ms. Wai Lai Yung in respect of the interest in 3,616,000 shares of Metrolink, interest in 40,432,000 shares of ZMGI and interest in 40,024,000 shares of Golden Nugget .

Save as disclosed above, as of the latest practical date, none of the Directors and chief executive or their associates had any interest in any securities in the Company or its associated corporations. None of the Directors, nor their spouses or children under 18 year of age was granted or had exercised any rights to subscribe for the securities of the Company.

As of the latest practical date, none of the Directors and chief executive or their associates had any short positions in any securities in the Company or its associated corporations.

(b) Interests and short positions of substantial shareholders

Shareholders, registered capital and percentage of equity interest held at latest practicable date:

Name of shareholder	Capacity	No. of shares held	Approximate percentage of shareholding
ZMGI	Beneficial owner	40,432,000	8.3
Golden Nugget	Beneficial owner	40,024,000	8.2
Metrolink	Beneficial owner and through ZMGI	44,048,000	9.1
Lai Kai Shing, Andy	Beneficial owner	44,048,000	9.1
Alexandra Global Investment Fund I Ltd.	Beneficial owner	75,010,000	15.4
Alexandra Investment Manager, LLC	Beneficial owner	75,010,000	15.4

As on the Latest Practicable Date, 31 December, 2003, no rights to acquire shares in the Company had been granted under the Share Option Scheme.

3. SPONSOR'S INTERESTS

The Sponsor, its directors, employees and associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) did not have any interests in any class of securities and any other interests of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at the Latest Practicable Date, saved as disclosed below.

Pursuant to the Sponsor agreement dated 13 February, 2003 entered into between the Company and the Sponsor, the Sponsor has received and will receive a fee for acting as the Company's sponsor for the period up to 31st December, 2005 or until the Sponsor agreement is terminated upon the terms and conditions set out therein.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31st December, 2002, the date to which the latest audited financial statements of the Group were made up, or as disclosed in the quarterly report of the Company for the nine months ended 30 September, 2003 dated 10 November, 2003.

5. LITIGATION

The Directors are not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

Each of Mr. Mo Wai Ming, Lawrence, Mr. Sun Kam Fai, Zacky, Mr. Lee Chi Ming and Ms. Wai Lai Yung being all the executive Directors, has entered into a service contract with the Company for an initial term of one year commencing from 1st January, 2003, and will continue thereafter until terminated by not less than one month's notice in writing served by either party on the other. Each of these executive Directors is entitled to the respective remuneration set out below. Approximately HK$1,300,000 as emoluments was paid to Mr. Mo Wai Ming, Lawrence only in respect of the financial year ended 31st December, 2002. With the exception of Mr. Mo Wai Ming, Lawrence, no executive Director is paid a salary by the Company. In addition, the executive Directors may or may not have a discretionary management bonus, the amount of which is to be determined by the Board of Directors, provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 15% of the consolidated profits attributable to shareholders of the Company (after payment of such management bonuses) in respect of that financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of the management bonus payable to him.

The independent non-executive Directors have been appointed for a fixed term of one year. Save for the annual directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Save as disclosed above, none of the Directors and supervisors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. COMPETING INTERESTS

None of the Directors, the management shareholders of the Company and their respective associates (as defined in GEM Listing Rules) has an interest in a business, which competes or may compete with the businesses of the Group and any other conflicts of interest which any such person has or may have with the Group.

8. DIRECTORS' INTERESTS IN ASSETS OR MATERIAL CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, neither direct nor indirect, in any assets which have been acquired, disposed of or leased by any member of the Group. As at the Latest Practicable Date, none of the Directors had any interest, neither direct nor indirect, in any material contract, or arrangement subsisting at the date of the listing document which is significant to the business of the Group.

9. GENERAL

(a) The share registrar and transfer office of the Company in Hong Kong is at Standard Registrars Limited, ground floor Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The Compliance Officer of the Company is Mr. Mo Wai Ming, Lawrence who is the chief executive officer and an executive director of the Company. The Qualified Accountant of the Company is Mr. Sun Kam Fai, Zacky who is a fellow of the Hong Kong Society of Accountants and an executive director of the Company. The Company Secretary is Mr. Ng Tim Tak who is an associate of the Hong Kong Society of Accountants and a Canadian Chartered Accountant. The audit committee consists of Mr. Ho Siu Kau and Mr. Lai Chau Ming who are independent non-executive directors of the Company. None of the members of the audit committee has directorships in other listed companies. The duties of the audit committee include reviewing the company's financial statements.

(b) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the offices of Yuen & Partners at 10th Floor Chiyu Bank Building, 78 Des Voeux Road Central Hong Kong from 16 January, 2003 up to and including 30 January, 2003:

(a) the memorandum and articles of association of the Company

(b) the Agreement and Detailed Documentation between the Company and Global

(c) the audited accounts of the Group for the year ended 31 December, 2003