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KANHAN TECHNOLOGIES GROUP LIMITED

看漢科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8175)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED ACQUISITION

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The Board is pleased to announce that on 15 May 2006, the Company entered into the MOU with the Vendor and Excel State in relation to the proposed acquisition of the whole or part of equity interests held by the Vendor in Excel State, which holds a 51% indirect interests in Shantou Jinshui Technology, by the Company.

Shantou Jinshiu Technology is a company established in the PRC and is principally engaged in the design, provision and distribution of software and hardware for tax control purpose and the provision of other related services in the PRC.

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

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

* For identification purposes only

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED ACQUISITION

Date: 15 May 2006

Parties: (i) the Company

(ii) the Vendor

(iii) Excel State, a company incorporated in the British Virgin Islands as an investment holding company and is controlled by the Vendor, has a 51% indirect interests in Shantou Jinshui Technology

Major terms of the MOU

Under the MOU, it is proposed that the Company will acquire the whole or part of the equity interests held by the Vendor in Excel State which holds a 51% indirect interests in Shantou Jinshui Technology. Shantou Jinshui Technology is a company established in the PRC and is principally engaged in the design, provision and distribution of software and hardware for tax control purpose and the provision of other related services in the PRC.

Under the MOU, both the Company and the Vendor will proceed to the negotiation for a legally binding Formal Agreement on or before 31 August 2006 (or such later date to be agreed by the parties). The entering into the legally-binding Formal Agreement is subject to conditions including, inter alia, the completion of reorganization of Excel State. It is also agreed that the Vendor will not, prior to 31 August 2006 (or such other date to be agreed by the parties), negotiate with any third party for the disposal of such equity interests in Excel State. A refundable amount of HK\$2,500,000 is payable by the Company to the Vendor as earnest money within three Business Days from the date of the MOU. The deposit will be financed from the Company's net proceeds from the Rights Issue.

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

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

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

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

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

Excel State Group Limited

Excel State Group Limited is a company incorporated in the British Virgin Islands as an investment holding company and is controlled by the Vendor. The sole asset of Excel State is a 51% indirect interests in Shantou Jinshui Technology.

Shantou Jinshui Technology Limited

Shantou Jinshui Technology Limited is a company established in the PRC and is principally engaged in the design, provision and distribution of software and hardware for tax control purpose and the provision of other related services in the PRC.

Reasons for the Proposed Acquisition

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

As disclosed in the prospectus of the Company in relation to the Rights Issue dated 10 March 2006, the Directors have always been active in seeking investment opportunities in order to increase the value of the Group, and which may or may not be in the principal line of business of the Group. While the Group intends to continue to pursue its principal business, the Directors consider that as long as any future investments, including but not limited to modifying its current technology and/or its related software to cater for different types of customers in various sectors, which are in the interests of the Group and the Shareholders as a whole, the Directors will look into such investments and decide whether such investments are warranted. Therefore, the Company has decided to enter into the MOU with the Vendor and Excel State so as to seek for more business opportunities and to maximize return to the Group in the long run.

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

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

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	any day on which the Stock Exchange is open for the business in dealing securities
“Company”	KanHan Technologies Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“Excel State”	Excel State Group Limited, a company incorporated in the British Virgin Islands as an investment holding company and is controlled by the Vendor. The sole asset of Excel State is a 51% indirect interests in Shantou Jinshui Technology
“Formal Agreement”	the sale and purchase agreement which may or may not be entered into in relation to the Proposed Acquisition
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“MOU”	the non-legally binding memorandum of understanding dated 15 May 2006 entered into between the Company, the Vendor and Excel State setting out the basic understanding in relation to the Proposed Acquisition
“PRC”	the People’s Republic of China, excluding Hong Kong for the purpose of this announcement
“Proposed Acquisition”	the proposed acquisition of the whole or part of the equity interests held by the Vendor in the registered capital of Excel State, as contemplated under the MOU

“Rights Issue”	the issue of 442,475,040 rights shares on the basis of three rights shares for every Share to the qualifying Shareholders by way of rights or to holders of nil-paid rights shares at the subscription price, pursuant to the terms and conditions of the rights issue, as disclosed in the prospectus of the Company dated 10 March 2006
“Shantou Jinshui Technology”	Shantou Jinshui Technology Limited, a company established in the PRC, together with its associates, to the best of Directors’ knowledge, information and belief having made all reasonable enquires, are third parties independent of the Company and its connected persons under the GEM Listing Rules
“Shareholder(s)”	holder(s) of existing Shares
“Share(s)”	ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mr. Yang Shuxin, the ultimate beneficial owner of 51% interests in Shantou Jinshui Technology, and to the best of Directors’ knowledge, information and belief having made all reasonable enquires, is a third party independent of the Company and its connected persons under the GEM Listing Rules
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

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

Hong Kong, 15 May 2006

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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