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KANHAN TECHNOLOGIES GROUP LIMITED

看漢科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8175)

**(1) MAJOR TRANSACTION
ACQUISITION OF THE ENTIRE EQUITY INTEREST IN
PROUD DRAGON LIMITED;**

**(2) OPEN OFFER OF NOT LESS THAN 394,558,360
OFFER SHARES AND
NOT MORE THAN 443,458,360 OFFER SHARES
AT HK\$0.08 PER OFFER SHARE
ON THE BASIS OF ONE OFFER SHARE FOR
EVERY TWO SHARES HELD ON THE RECORD DATE
PAYABLE IN FULL ON APPLICATION;**

(3) CHANGE OF COMPANY NAME;

(4) CHANGE OF AUDITORS;

AND

(5) RESUMPTION OF TRADING

Financial adviser to the Company



INCUB Corporate Finance Limited

Underwriters to the Open Offer



Quam Securities Company Limited



博大資本國際有限公司

Partners Capital International Limited

* *for identification purpose only*

(1) MAJOR TRANSACTION

Reference is made to the announcement of the Company dated 4 October 2007.

On 29 October 2007 (after trading hour), the Purchaser, a wholly owned subsidiary of the Company entered into the Agreement with Proud Dragon and the Vendor pursuant to which: (i) the Purchaser shall purchase and the Vendor shall sell, the Sale Shares at a total consideration of HK\$31,800,000; and (ii) the Purchaser shall subscribe and Proud Dragon shall allot and issue the Subscription Shares at a total consideration of HK\$15,800,000.

Upon Completion, Proud Dragon will become an indirect wholly owned subsidiary of the Company with its accounts consolidated with that of the Group.

The Sale Consideration shall be settled in the following manner: (i) HK\$3,000,000 has been paid by the Purchaser to the Vendor within three business days from the date of the MOU; (ii) HK\$3,200,000 has been paid by the Purchaser to the Vendor on the date of the Agreement; (iii) HK\$10,000,000 will be settled by the Purchaser procuring the Company to issue to the Vendor on Completion the Convertible Bond and (iv) HK\$15,600,000 will be settled by the Purchaser procuring the Company to issue to the Vendor on Completion the Promissory Note.

The Subscription Consideration shall be settled by the Purchaser in cash and will be paid by the Purchaser as deposit within three business days from the date on which conditions (c) and (h) under the sub-section headed “Conditions precedent” under the section headed “The Agreement” have been fulfilled. The Sale Shares and the Subscription Shares together represent the entire issued share capital of Proud Dragon upon the allotment and issue of the Subscription Shares.

The Proposed Acquisition constitutes a major transaction on the part of the Company under the GEM Listing Rules and is subject to the approval of the Shareholders at the EGM.

(2) OPEN OFFER

The Company proposes to raise not less than approximately HK\$31.56 million and not more than HK\$35.48 million, before expenses, by an Open Offer of not less than 394,558,360 Offer Shares and not more than 443,458,360 Offer Shares at a subscription price of HK\$0.08 per Offer Share, payable in full on application, on the basis of one Offer Share for every two Shares held on the Record Date.

As at the date of this announcement, the Company has 97,800,000 outstanding Warrants entitling holders thereof to subscribe for 97,800,000 Shares. Save as disclosed above, the Company does not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

The net proceeds from the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$29 million (assuming no outstanding Warrants are exercised on or before the Record Date) of which approximately HK\$22 million will be used to finance the Proposed Acquisition and the balance of approximately HK\$7 million will be applied either for the general working capital purpose of the Group or for the settlement of outstanding capital commitment in relation to the organic fertilizer business of the Group.

The Open Offer is fully underwritten by the Underwriters and is subject to the terms and conditions of the Underwriting Agreement. If Partners Capital on behalf of the Underwriters terminates the Underwriting Agreement (details of which are set out in the sub-section headed “Termination of the Underwriting Agreement” in the section headed “Underwriting Agreement” in this announcement) or the conditions of the Open Offer (details of which are set out in the sub-section headed “Conditions of the Open Offer” in the section headed “Underwriting Agreement” in this announcement) are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions.**

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, all transfer of Shares (together with relevant share certificate(s)) must be lodged for registration with the Company’s share registrars and transfer office in Hong Kong by 4:00 p.m. on Tuesday, 20 November 2007. The register of members of the Company will be closed from Wednesday, 21 November 2007 to Monday, 26 November 2007, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer.

(3) CHANGE OF COMPANY NAME

A special resolution will be proposed at the forthcoming EGM to approve the change of the Company’s name from “KanHan Technologies Group Limited” to “Shen Nong China (Group) Limited” and upon the name change becoming effective, the new Chinese name “神農中國(集團)有限公司” will be adopted to replace “看漢科技集團有限公司” for identification purpose only.

(4) CHANGE OF AUDITOR

The Board announces that Messrs. Moores Rowland resigned as auditors of the Group on 23 October 2007 and Vision A.S. Limited has been appointed by the Board on 24 October 2007 as auditors of the Group to fill the casual vacancy following the resignation of Moores Rowland until the conclusion of the next annual general meeting.

(5) GENERAL

An EGM will be convened to consider and, if thought fit, approve the Proposed Acquisition and the Change of Company Name. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder is required to abstain from voting at the EGM.

A circular containing, among other things, details of the Proposed Acquisition and the Change of Company Name, together with a notice of the EGM will be despatched to the Shareholders as soon as practicable.

The Company will send the Prospectus Documents to the Qualifying Shareholders and, the Prospectus, for information only, to the Prohibited Shareholders as soon as practicable within 21 days of this announcement.

(6) SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 30 October 2007 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 9:30 a.m. on 5 November 2007.

(1) MAJOR TRANSACTION

Reference is made to the announcement of the Company dated 4 October 2007. On 29 October 2007 (after trading hour), the Purchaser, a wholly owned subsidiary of the Company entered into the Agreement with Proud Dragon and the Vendor pursuant to which: (i) the Purchaser shall purchase and the Vendor shall sell, the Sale Shares at a consideration of HK\$31,800,000; and (ii) the Purchaser shall subscribe and Proud Dragon shall allot and issue, the Subscription Shares at a consideration of HK\$15,800,000.

THE AGREEMENT

Date: 29 October 2007

Parties:

Purchaser: the Purchaser, a wholly owned subsidiary of the Company

Vendor: Mr. Yip Yuk Tong

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules). The Vendor is a merchant and a private investor and has extensive experience in the management, operation and strategic planning in various corporations engaging in a variety of business activities in Hong Kong and the PRC.

Target: Proud Dragon

Assets to be acquired

The Sale Shares and the Subscription Shares together will represent the entire issued share capital of Proud Dragon upon the allotment and issue of the Subscription Shares.

The Subscription Shares, when allotted, fully paid and issued, will rank pari passu in all respects with the other shares of Proud Dragon in issue on the date of allotment and issue of the Subscription Shares.

Consideration

The total consideration of HK\$47,600,000 comprises the Sale Consideration and the Subscription Consideration:

Sale Consideration

The Sale Consideration of HK\$31,800,000 shall be settled in the following manner:

- (i) HK\$3,000,000 has been paid by the Purchaser to the Vendor within three business days from the date of the MOU;
- (ii) HK\$3,200,000 has been paid by the Purchaser to the Vendor on the date of the Agreement;

- (iii) HK\$10,000,000 will be settled by the Purchaser procuring the Company to issue to the Vendor on Completion the Convertible Bonds, which shall then be delivered to the Purchaser for it to hold in escrow until the fulfillment of the Guaranteed Profit, the details of which can be found in the section headed “Profit Guarantee”; and
- (iv) HK\$15,600,000 will be settled by the Purchaser procuring the Company to issue to the Vendor on Completion the Promissory Note.

Subscription Consideration

The Subscription Consideration of HK\$15,800,000 shall be settled by the Purchaser in cash and will be paid by the Purchaser as deposit within three business days from the date on which conditions (c) and (h) under the sub-section headed “Conditions precedent” under the section headed “The Agreement” having been fulfilled.

The total consideration of HK\$47,600,000 for the Proposed Acquisition represents a price earning multiple of approximately 6.8 times of the Guaranteed Profit of HK\$7,000,000 for the year ending 31 December 2008. The Sale Consideration and the Subscription Consideration were agreed between the Vendor and the Purchaser after arm’s length negotiations after considering: (i) the Guaranteed Profit given by the Vendor; (ii) the future prospect and business plan of the Proud Dragon Group as stated in the section “Profit Guarantee” below; (iii) the issue of the Convertible Bond to the Vendor only after the fulfillment of the Guaranteed Profit; (iv) the Proposed Acquisition will be able to synergize with the Group’s current business of the development, production and distribution of organic fertilizer in the PRC and provide additional channel to the Group’s development in the agricultural industry in the PRC in long term; (v) the current price earning ratios of companies listed on the Stock Exchange engaging in business similar to Zhong Tian Water Supply ranging from about 19 to 84 times; and (vi) the Proposed Acquisition will serve to provide a stable income source to the Group. The Directors consider the terms and conditions of the Proposed Acquisition to be fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

The Directors are of the view that Zhong Tian Water Supply is currently at its early stage of development and hence, its current net asset value is not able to reflect the profitability of Zhong Tian Water Supply in the future upon Completion. Accordingly, instead of referring to its current net asset value, the Consideration was based on, among others, the price earning ratios of listed companies on Stock Exchange engaging in business similar to Zhong Tian Water Supply ranging from about 19 to 84.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Proud Dragon Group;
- (b) all necessary consents and approvals required to be obtained on the part of the Vendor and Proud Dragon in respect of the sale of the Sale Shares and the subscription of the Subscription Shares having been obtained;
- (c) the passing by the Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bond, and Promissory Note to the Vendor;
- (d) the obtaining of a PRC legal opinion (in a form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the Agreement and the transactions contemplated thereunder;
- (e) the warranties provided by the Vendor under the Agreement remaining true and accurate in all respects;
- (f) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares;
- (g) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the purchase of the Sale Shares and the subscription of the Subscription Shares having been obtained; and
- (h) completion of the Reorganisation.

Conditions (a) and (e) above are waivable by the Purchaser under the Agreement. The Purchaser has no current intention to waive such conditions. Other than conditions (a) and (e), the other conditions are incapable of being waived.

Completion

Completion shall take place at 4:00 p.m. within three business days after all the conditions of the Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor, Proud Dragon and the Purchaser.

Upon Completion, Proud Dragon will become an indirect wholly owned subsidiary of the Company with its accounts consolidated into that of the Group. The Directors confirm that the Group will nominate not less than two directors to the board of Proud Dragon which consists of solely the Vendor in an effort to obtain majority control of the Proud Dragon Group upon Completion.

Long-stop date

If all of the conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before 31 January 2008 (or such later date as the Vendor and the Purchaser may agree), the Agreement shall cease and determine and together, neither party shall have any obligations towards each other.

Profit Guarantee

The Vendor has warranted and guaranteed to the Purchaser that the audited consolidated net profit after tax and extraordinary or exceptional items of the Proud Dragon Group for the financial year ending 31 December 2008 (the "Actual Profit 2008") will not be less than HK\$7,000,000 (the "Guaranteed Profit"). The Bond Certificate will be released to the Vendor after the fulfillment of the Guaranteed Profit.

If the Actual Profit 2008 is less than the Guaranteed Profit but more than HK\$5,000,000, (a) the Vendor shall warrant to the Purchaser that the average of the audited consolidated net profit after tax and extraordinary or exceptional items of the Proud Dragon Group for the financial years ending 31 December 2008 and 31 December 2009 (the "Average Actual Profit") shall not be less than the Guaranteed Profit and (b) the Purchaser shall continue to hold the Bond Certificate until the Average Actual Profit meets the Guaranteed Profit.

If the Actual Profit 2008 is less than HK\$5,000,000 or the Average Actual Profit is less than the Guaranteed Profit, the Vendor shall set off such shortfall against the payment obligations of the Company under the Convertible Bond on a dollar to dollar basis.

If the Proud Dragon Group records a loss for the year ending 31 December 2008, or where appropriate, for the Average Actual Profit, the compensation amount will be the aggregation of the amount of such loss (expressed in positive figure) and the amount of the Guaranteed Profit. The Vendor shall set off such shortfall against the payment obligations of the Company under the Convertible Bond on a dollar to dollar basis and any shortfall remaining after such set off shall be paid by the Vendor to the Purchaser in cash.

Having considered (i) the continuing development of economy in the PRC which will lead to demand of higher living standard by people including those staying in the rural areas ; (ii) the long term national policy of agricultural development and improvement of living standard of farmers staying in the rural areas; and (iii) the exclusive rights granted by the PRC Government to Zhong Tian Water Supply to carry out the provision of water supply service in Dangtu County (當塗縣), Maanshan City (馬鞍山市), the Directors (including the independent non-executive

Directors) are of the view that the business of Zhong Tian Water Supply will grow substantially in the years ending 31 December 2008 and 2009 as a result of the increase in demand of water for both industrial and domestic usage. The Directors are of the view that the mechanism of the Guaranteed Profit (the two thresholds of Actual Profit 2008 and the Average Actual Profit for 2008 and 2009) serves to capitalize the aforesaid substantial growth of Zhong Tian Water Supply in the years ending 31 December 2008 and 2009. Further announcement will be made by the Company in the event that the Vendor is not able to achieve the Guaranteed Profit.

TERMS OF PROMISSORY NOTE

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK\$15,600,000

Interest

The Promissory Note carries interest at a rate of 1% per annum, payable quarterly.

Maturity

A fixed term of three years from the date of issue of the Promissory Note.

Early repayment

The Company could, at its option, repay the Promissory Note in whole or in part in multiples of HK\$500,000 by giving a prior written notice to the Vendor, commencing on the date of the Promissory Note up to the date immediately prior to the maturity date. There will not be any premium or discount to the payment obligations under the Promissory Note for any early repayment.

Assignment

The Promissory Note may be transferred or assigned by the holder of the Promissory Note to any party other than a connected person of the Company in multiples of HK\$500,000.

TERMS OF CONVERTIBLE BOND

The terms of the Convertible Bond have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK\$10,000,000

Interest

The Convertible Bond carries interest at a rate of 1% per annum, payable quarterly.

Maturity

A fixed term of three years from the date of issue of the Convertible Bond. Unless previously redeemed, converted or cancelled as provided in the agreement pursuant to which the Convertible Bond was issued, the Company shall redeem the outstanding principal amount of the Convertible Bond on the maturity date.

Conversion

The Bondholder may convert the whole or part (in multiples of HK\$500,000) of the principal amount of the Convertible Bond into the Conversion Shares at the Conversion Price for the period commencing after the fulfillment of the Guaranteed Profit and the issue of the Guarantee Certificate up to the maturity date.

Conversion Price

The Conversion Price is HK\$0.25 per Conversion Share subject to the adjustments.

The adjustments for Conversion Price include the following:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);

- (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);
- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 70% of the market price on the date of announcement of the terms of the issue of such securities; and
- (vi) an issue of Shares wholly for cash at a price per Share which is less than 70% of the market price on the date of announcement of the terms of such issue.

The Company will issue an announcement when there is any adjustment to the Conversion Price and the adjustment will be certified by the Company's auditor or by merchant bank.

The Conversion Price represents (i) a premium of approximately 6.38% over the closing price of HK\$0.235 per Share as quoted on the Stock Exchange on 29 October 2007, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares; (ii) a premium of approximately 5.93% over the average of the closing prices of approximately HK\$0.236 per Share for the last five trading days up to and including 29 October 2007; and (iii) a premium of approximately 558% over the net asset value per Share of HK\$0.038 based on the audited consolidated financial statements of the Group as of 31 December 2006.

The Conversion Price was determined by the Purchaser and the Vendor on an arm's length basis with reference to the current market price of the Shares and the duration of the Convertible Bond.

Conversion Shares

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bond in the aggregate principal amount of HK\$10,000,000 at the Conversion Price by the Bondholder, the Company will issue an aggregate of 40,000,000 new Shares, representing approximately (i) 5.07% of the existing issued share capital of the Company; and (ii) approximately 4.82% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares will be issued pursuant to the specific mandate to be sought at the EGM.

Early redemption

The Company could, at its option, redeem the Convertible Bond in whole or in part in multiples of HK\$500,000 by giving a prior written notice to the Bondholder, at any time prior to the maturity date.

Ranking

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue at the date of the conversion notice.

Status of the Convertible Bond

The Convertible Bond constitutes a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Transferability

The Convertible Bond may be transferred or assigned by the Bondholder to any party other than a connected person of the Company provided that no transfer or assignment of the Convertible Bond can be made by the Bondholder prior to the issue of the Guarantee Certificate.

Voting rights

The Convertible Bond do not confer any voting rights at any meetings of the Company.

Application for listing

No application will be made by the Company for the listing of the Convertible Bond. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION ON THE PROUD DRAGON GROUP

Upon completion of the Reorganization, the Proud Dragon Group will principally be engaged in the management of water plants and the provision of water supply service in the rural areas of the agricultural province, Anhui Province (安徽省) in the PRC.

The Reorganisation involves the acquisition by HK Subsidiary of 70% of the equity interest in Zhong Tian Water Supply and transformation of Zhong Tian Water Supply from a domestic company to a Chinese foreign equity joint venture. The Reorganisation is expected to be completed by December 2007 and before Completion.

According to the unaudited consolidated financial statements of Proud Dragon for the period commencing from 30 August 2007, being the date of incorporation, to 30 September 2007, there was no turnover and the net loss after taxation and extraordinary items was approximately HK\$22,000. As at 30 September 2007, the net liabilities value of the Proud Dragon Group was approximately HK\$22,000.

Zhong Tian Water Supply is currently a private enterprise established in the PRC and is owned by four PRC individuals, who are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules). It is principally engaged in the management of water plants and the provision of water supply in the rural areas of the PRC. Through the entering into of the exclusive operation agreements with the local government of Dangtu County (當塗縣), Anhui Province (安徽省), it provides water supply service to certain towns and villages in Dangtu County (當塗縣) on a BOT (Build, Operate, Transfer) and exclusive basis. It currently owns and operates three water plants in Dangtu County (當塗縣), Maanshan City (馬鞍山市), a rapidly developing major industrial region in the agricultural province, Anhui Province (安徽省).

The Directors, after consultation with its PRC legal advisers, confirm that the Drinking Water Hygiene Approval License (生活飲用水衛生許可證) is required to be obtained in an effort to legally engage in the provision of water supply service in the PRC. The Directors also confirm that Zhong Tian Water Supply has obtained all the necessary licenses and approvals to operate legally in the PRC and the transformation of Zhong Tian Water Supply into a Chinese foreign equity joint venture upon the completion of the Reorganization will not impose any impact on its eligibility of operation in the PRC.

The three water plants are located in Shi Qiao Town (石橋鎮), Nian Dou Town (年陡鎮) and Hu Yang Village (湖陽鄉) of Dangtu County (當塗縣) and supply water to approximately 280,000 inhabitants. The provision of such water supply services by Zhong Tian Water Supply is supported by the PRC Government and the construction of such three water supply plants were partially subsidised by the PRC Government. Of the three water plants, one is in full operation as at date of this announcement. It is expected that all the three water supply plants will be in full operation by the first half of 2008. The funding for the two water plants under construction will be financed by the existing internal resources and working capital of Zhong Tian Water Supply. It will be settled by Zhong Tian Water Supply upon completion of the Reorganisation. Hence, no outstanding capital commitments will be borne by the Group upon Completion.

Upon completion of the Reorganisation, the registered capital of Zhong Tian Water Supply will be RMB21.43 million, of which the equity interest of Zhong Tian Water Supply will be owned as to 70% by the HK Subsidiary and the balance of 30% by five PRC individuals, who are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Of the five PRC individuals, four of them are involved in the management and supervision of the operation of Zhong Tian Water Supply. The Directors confirm that such four PRC individuals will be retained in Zhong Tian Water Supply upon the Completion.

According to the unaudited financial statements of Zhong Tian Water Supply for the year ended

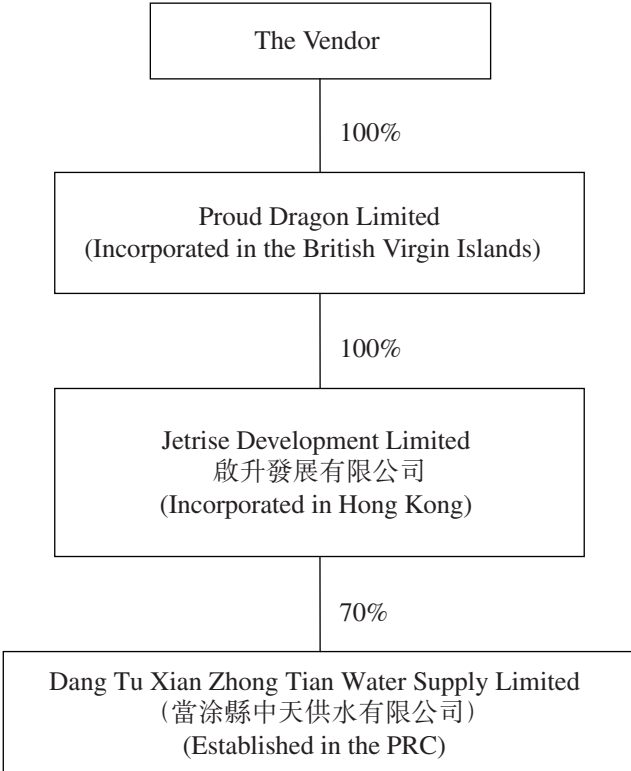
31 December 2006, the turnover was approximately HK\$127,000 and the net loss after taxation and extraordinary items was approximately HK\$840,000.

According to the unaudited financial statements of Zhong Tian Water Supply for the period commencing from 1 January 2007 to 30 September 2007, the turnover was approximately HK\$140,000 and the net loss after taxation and extraordinary items was approximately HK\$1,450,000.

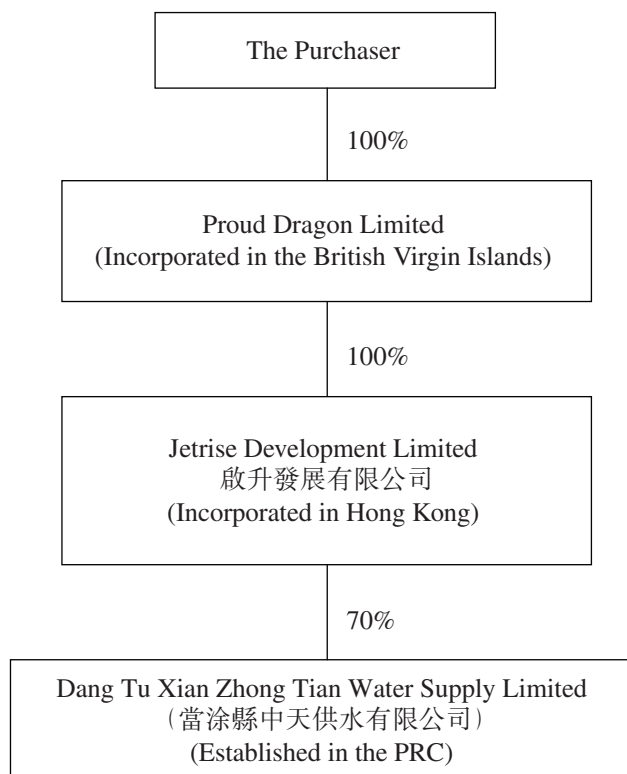
As at 30 September 2007, the principal assets of Zhong Tian Water Supply are the three water plants (two of which are still under construction) of approximately HK\$50,000,000 and net assets of Zhong Tian Water Supply was approximately HK\$5,000,000.

The following charts show the group structure of the Proud Dragon Group immediately after the completion of the Reorganisation and before the Completion and immediately after the Completion:

Immediately after the completion of the Reorganisation and before the Completion



Immediately after the Completion



In an effort to fulfill its fiduciary duties and care to the Company pursuant to Rule 5.01 of the GEM Listing Rules, the Board has conducted, among others, the following key due diligence works in relation to the Proposed Acquisition:

(i) Legal due diligence

- (a) engagement of a PRC legal adviser to provide preliminary advice in relation to the Proposed Acquisition;
- (b) review the legal and statutory documents of Zhong Tian Water Supply; and
- (c) discuss with local government of Dangtu County (當塗縣) in relation to the Proposed Acquisition and the exclusive operation agreement.

(ii) Operation due diligence

- (a) physically visit the three water plants of Zhong Tian Water Supply; and
- (b) interview with the customers of Zhong Tian Water Supply.

(iii) Financial due diligence

- (a) engagement of auditors to prepare an audited financial statement; and
- (b) review financial statements of Zhong Tian Water Supply.

REASONS FOR THE PROPOSED ACQUISITION

The Group is engaged in the development and marketing of patented server based technology and the provision of software related services. The Group recorded net loss of approximately HK\$6.27 million and approximately HK\$0.99 million for the year ended 31 December 2006 and the six months ended 30 June 2007 and had cash of HK\$12.66 million as at 30 June 2007 respectively.

Since May 2007, the Company has commenced its business of the development, production and distribution of organic fertilizer in the PRC with a vision to actively participate and develop the Group business in the agricultural industry in the PRC in the long term.

Both the organic fertilizer business and the provision of water supply business are agricultural related and target the same group of customers, i.e. farmers staying in the rural areas. Accordingly, with the substantial growth of provision of water supply business as stated in the sub-section “Profit Guarantee” above, the customer base of the organic fertilizer business will also be enhanced. Hence, the Directors are of the view that the provision of water supply business in the rural areas in the PRC synergize with the Group’s organic fertilizer business in the PRC and most importantly, serves as a channel to further develop and consolidate the business development of the Group in the agricultural industry in the PRC. Therefore, the Company has decided to enter into the Agreement in an effort to maximize return to the Group through its development in the agricultural industry in the PRC.

Although the Company has no prior experience in the water supply business in the PRC, the Company will retain the existing management team of Zhong Tian Water Supply, which has over ten years experience in management of water supply business in the PRC, to manage the water supply business of the Group in the PRC.

Based on the above-mentioned reasons, the Directors believe that the Proposed Acquisition would further enhance the future growth and profitability of the Group.

Taking into account the benefits of the Proposed Acquisition, the Board is of the view that the terms of the Proposed Acquisition are fair and reasonable and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The Proposed Acquisition constitutes a major transaction on the part of the Company under the GEM Listing Rules and is subject to the approval of the Shareholders at the EGM. A circular containing, among other matters, further details of the Proposed Acquisition and a notice to convene the EGM will be despatched to the Shareholders in compliance with the GEM Listing Rules.

(2) OPEN OFFER

Issue Statistics

Basis of the Open Offer:	One Offer Share for every two Shares held on the Record Date
Number of existing Shares in issue:	789,116,720 Shares as at the date of this announcement
Number of Offer Shares to be issued:	Not less than 394,558,360 Offer Shares and not more than 443,458,360 Offer Shares
Subscription Price:	HK\$0.08 per Offer Share payable in full on application

As at the date of this announcement, the Company has 97,800,000 outstanding Warrants entitling the holder, Glory Force to subscribe for 97,800,000 Shares. As at the date of this announcement, Glory Force has not indicated if it will exercise any of his outstanding 97,800,000 Warrants from the date of this announcement to the Latest Lodging Date nor has it indicated that, if any of its outstanding 97,800,000 Warrants are exercised, whether it will accept any or whole of its entitlement under the Open Offer. Save as disclosed above, the Company does not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

Assuming no outstanding Warrants have been exercised before the Record Date, a total of 394,558,360 Offer Shares will be issued under the Open Offer.

Assuming all outstanding Warrants have been exercised and Shares have been allotted and issued before the Record Date, a total of 443,458,360 Offer Shares will be issued.

Subscription Price

The Subscription Price of HK\$0.08 per Offer Share will be payable in full upon application for the Offer Shares and (where applicable) application for excess Offer Shares under the Open Offer. The Subscription Price represents:

1. a discount of approximately 65.96% to the closing price of HK\$0.235 per Share as quoted on the Stock Exchange on 29 October 2007, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares;
2. a discount of approximately 66.10% to the average of the closing prices of HK\$0.236 per Share for the five consecutive trading days up to and including 29 October 2007;
3. a discount of approximately 65.96% to the average of the closing prices of HK\$0.235 per Share for the 10 consecutive trading days up to and including 29 October 2007; and

4. a discount of approximately 56.28% to the theoretical ex-rights price of HK\$0.183 based on the closing price of HK\$0.235 per Share as quoted on the Stock Exchange on 29 October 2007.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to the market price of the Shares under the prevailing market conditions.

As (i) the net proceeds to be raised from the Open Offer will serve to finance the Proposed Acquisition which, as stated above, will be able to synergize the Group's current business of the development, production and distribution of organic fertilizer in the PRC and provide additional channel to the Group's long run development in the agricultural industry in the PRC; (ii) the Qualifying Shareholders are offered a chance to subscribe for the Offer Shares at a relatively low price and to maintain their respective pro rata shareholdings in the Company; and (iii) the Subscription Price was determined after arm's length negotiation between the Company and the Underwriters, the Directors consider the terms of the Open Offer to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not being a Prohibited Shareholder.

In order to be registered as members on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's share registrars and transfer office in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Tuesday, 20 November 2007.

The invitation to apply for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading of nil-paid entitlements of the Offer Shares on the Stock Exchange.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 21 November 2007 to Monday, 26 November 2007, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

Rights of Prohibited Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. To determine the identities of the Prohibited Shareholders

and in compliance with the relevant GEM Listing Rules, the Company will make necessary enquiries regarding the legal restrictions, if any, under the laws of the relevant jurisdictions and will only exclude the Prohibited Shareholders for the Open Offer if it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place after making relevant enquiries. The Company will send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms or Excess Application Forms to the Prohibited Shareholders. Further details regarding the Prohibited Shareholders will be disclosed in the Prospectus.

Application for excess Offer Shares

Under the Open Offer, Qualifying Shareholders may apply for any unsold entitlements of the Prohibited Shareholders and any Offer Shares not taken up by the Qualifying Shareholders. Application can be made by completing the Excess Application Form and lodging the same with a separate remittance for the excess Offer Shares being applied for.

The Directors will allocate the excess Offer Shares at their discretion on a fair and equitable basis based on the following principles:

- (1) preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd-lot to whole board lot and that such applications are not made with intention to abuse this mechanism; and
- (2) subject to availability of excess Offer Shares after allocation under principle (1) above, the excess Offer Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of the excess Offer Shares applied by them (i.e. Qualifying Shareholders applying for smaller number of Offer Shares are allocated with a higher percentage of successful application but will receive less number of Offer Shares; whereas Qualifying Shareholders applying for larger number of Offer Shares are allocated with a smaller percentage of successful application but will receive higher number of Offer Shares) and with board lots allocations to be made on best effort basis.

The Shareholders with the Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Open Offer Shares will not be extended to beneficial owners individually.

Shareholders with Shares held by a nominee company are advised to consider whether they would like to arrange registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Status of the Offer Shares

The Offer Shares (when allotted and fully paid) will rank pari passu with the then existing Shares in issue in all respects on the date of allotment and issue of the Offer Shares. Holders of fully paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Offer Shares.

Share Certificates for Offer Shares and refund cheques

Subject to the fulfillment of the conditions of the Open Offer as set out in the sub-section headed “Conditions of the Open Offer” below, certificates for all fully-paid Offer Shares and refund cheques in respect of unsuccessful excess applications (if any) are expected to be posted on or before 18 December 2007 to those Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares at their own risks.

Fractions of Offer Shares

Fractional entitlements of Offer Shares will not be allotted.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date: 29 October 2007

Underwriters: Quam Securities and Partners Capital

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Underwriters and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)

Number of Offer Shares: Not less than 394,558,360 Offer Shares and not more than 443,458,360 Offer Shares

Number of Underwritten Shares: Not less than 198,766,974 Offer Shares and not more than 247,666,974 Offer Shares, which are underwritten equally by each of the Underwriters

If the number of Underwritten Shares that are not being taken up is less than or equal to 198,766,974 Offer Shares, or is less than or equal to 247,666,974 Offer Shares, the Underwriters shall subscribe for, or procure subscription of all those Underwritten Shares not being taken up in proportion to their respective entitlement, namely, 50% by each of the Underwriters (subject to the adjustment in accordance with the provision of the set-off arrangements as set out in the Underwriting Agreement), as the case may be

Commission: an underwriting commission of 2.5% of the aggregate Subscription Price in respect of the number of Underwritten Shares

Undertakings by the Undertaking Parties

As at the date of this announcement, Manciple, a company wholly owned by Mr. Lau, was interested in 179,005,492 Shares. Pursuant to the undertaking given by Mr. Lau, Mr. Lau has irrevocably undertaken to the Company and the Underwriters to subscribe or procure the subscription of 89,502,746 Offer Shares to which Manciple is entitled pursuant to the Open Offer.

As at the date of this announcement, Mr. Yang was interested in 142,750,000 Shares. Pursuant to the undertaking given by Mr. Yang, Mr. Yang has irrevocably undertaken to the Company and the Underwriters to subscribe or procure the subscription of 71,375,000 Offer Shares to which Mr. Yang is entitled pursuant to the Open Offer.

As at the date of this announcement, Mr. Yip was interested in 1,970,000 Shares and Glory Force, a company wholly owned by Mr. Yip, was interested in 20,000,000 Shares. Pursuant to the undertaking given by Mr. Yip, Mr. Yip has irrevocably undertaken to the Company and the Underwriters to subscribe and procure the subscription of the 985,000 Offer Shares and 10,000,000 Offer Shares to which Mr. Yip and Glory Force are respectively entitled pursuant to the Open Offer.

As at the date of this announcement, Mr. Pang was interested in 7,000,000 Shares. Pursuant to the undertaking given by Mr. Pang, Mr. Pang has irrevocably undertaken to the Company and the Underwriters to subscribe or procure the subscription of the 3,500,000 Offer Shares to which Mr. Pang is entitled pursuant to the Open Offer.

As at the date of this announcement, Mr. Ma was interested in 5,800,000 Shares. Pursuant to the undertaking given by Mr. Ma, Mr. Ma has irrevocably undertaken to the Company and the Underwriters to subscribe or procure the subscription of the 2,900,000 Offer Shares to which Mr. Ma is entitled pursuant to the Open Offer.

As at the date of this announcement, Mr. Mo was interested in 20,057,280 Shares. Pursuant to the undertaking given by Mr. Mo, Mr. Mo has irrevocably undertaken to the Company and the Underwriters to subscribe or procure the subscription of the 10,028,640 Offer Shares to which Mr. Mo is entitled pursuant to the Open Offer.

As at the date of this announcement, Ms. Au was interested in 15,000,000 Shares. Pursuant to the undertaking given by Ms. Au, Ms. Au has irrevocably undertaken to the Company and the Underwriters to subscribe or procure the subscription of the 7,500,000 Offer Shares to which Ms. Au is entitled pursuant to the Open Offer.

The total number of Offer Shares undertaken by the Undertaking Parties, as mentioned above are in aggregate 195,791,386 Offer Shares.

Subject to and upon the terms and conditions of the Underwriting Agreement, the Underwriters have agreed to underwrite in aggregate not less than 198,766,974 Underwritten Shares (assuming the outstanding Warrants are not exercised on or before the Latest Lodging Date) and not more than 247,666,974 Underwritten Shares (assuming all the outstanding Warrants are exercised on or before the Latest Lodging Date).

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a storm warning is or remains hoisted between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no storm warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of Partners Capital on behalf of the Underwriters, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Partners Capital on behalf of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Partners Capital on behalf of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of Partners Capital on behalf of the Underwriters is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of Partners Capital on behalf of the Underwriters will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

Partners Capital on behalf of the Underwriters shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If Partners Capital on behalf of Underwriters terminates the Underwriting Agreement, the Open Offer will not proceed.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional, inter alia, upon:

- (1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;

- (2) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (3) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares;
- (4) the performance of an irrevocable undertaking by each of Mr. Lau, Mr. Yang, Mr. Pang, Mr. Ma, Mr. Mo and Ms. Au in favour of the Company and the Underwriters to subscribe for or procure the subscription of 89,502,746 Offer Shares, 71,375,000 Offer Shares, 3,500,000 Offer Shares, 2,900,000 Offer Shares, 10,028,640 Offer Shares and 7,500,000 Offer Shares to which Manciple, Mr. Yang, Mr. Pang, Mr. Ma, Mr. Mo and Ms. Au are respectively entitled under the Open Offer;
- (5) the performance of an irrevocable undertaking by Mr. Yip in favour of the Company and the Underwriters to subscribe for and procure the subscription of 985,000 Offer Shares and 10,000,000 Offer Shares to which Mr. Yip and Glory Force are respectively entitled under the Open Offer; and
- (6) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement.

The Company shall use all reasonable endeavours to procure the fulfillment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and Partners Capital on behalf of the Underwriters may agree and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Offer Shares or to give effect to the Open Offer and the arrangements contemplated in the Underwriting Agreement.

WARNING OF RISKS OF DEALING IN SHARES

If the Underwriter terminates the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions.**

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Monday, 19 November 2007 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on or before 4:00 p.m. on Friday, 14 December 2007), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER AND THE ACQUISITION

A. Assuming no Warrants are being executed before the Record Date:

	Immediately prior to completion of the Open Offer		Scenario 1 No Qualifying Shareholder takes up entitlement (except for the Undertaking Parties)				Scenario 2 All Qualifying Shareholders take up the entitlement			
			Immediately following completion of the Open Offer (assuming that no Qualifying Shareholder takes up his/her/its entitlement under the Open Offer except for the undertaking parties)		Completion of the Open Offer (assuming that no Qualifying Shareholder takes up his/her/its entitlement under the Open Offer except for the undertaking parties) and the completion of the Acquisition and the subsequent full conversion of the Convertible Bond		Immediately following completion of the Open Offer (assuming that all Qualifying Shareholders have taken up their respective entitlement)		Completion of the Open Offer (assuming that all Qualifying Shareholders have taken up their respective entitlement) and the completion of the Acquisition and the subsequent full conversion of the Convertible Bond	
			of Shares	%	of Shares	%	of Shares	%	of Shares	%
*Manciple (Note 1)	179,005,492	22.68%	268,508,238	22.68%	268,508,238	21.94%	268,508,238	22.68%	268,508,238	21.94%
*Yang Pei Gen	142,750,000	18.09%	214,125,000	18.09%	214,125,000	17.50%	214,125,000	18.09%	214,125,000	17.50%
*Glory Force Ltd. (Note 2)	20,000,000	2.53%	30,000,000	2.53%	30,000,000	2.45%	30,000,000	2.53%	30,000,000	2.45%
*Yip Yung Kan (Note 2)	1,970,000	0.25%	2,955,000	0.25%	2,955,000	0.24%	2,955,000	0.25%	2,955,000	0.24%
Lei I Si (Note 2)	100,000	0.01%	100,000	0.01%	100,000	0.01%	150,000	0.01%	150,000	0.01%
<i>sub-total</i>	<i>22,070,000</i>	<i>2.29%</i>	<i>33,055,000</i>	<i>2.79%</i>	<i>33,005,000</i>	<i>2.70%</i>	<i>33,105,000</i>	<i>2.79%</i>	<i>33,105,000</i>	<i>2.70%</i>
The Vendor	-	-	-	-	40,000,000	3.27%	-	-	40,000,000	3.27%
Directors:										
*Pang Hong Tao	7,000,000	0.89%	10,500,000	0.89%	10,500,000	0.86%	10,500,000	0.89%	10,500,000	0.86%
*Ma She Shing Albert	5,800,000	0.74%	8,700,000	0.74%	8,700,000	0.71%	8,700,000	0.74%	8,700,000	0.71%
*Mo Wai Ming Lawrence	20,057,280	2.54%	30,085,920	2.54%	30,085,920	2.46%	30,085,920	2.54%	30,085,920	2.46%
*Au Shui Ming Anna	15,000,000	1.90%	22,500,000	1.90%	22,500,000	1.84%	22,500,000	1.90%	22,500,000	1.84%
<i>sub-total</i>	<i>47,857,280</i>	<i>6.07%</i>	<i>71,785,920</i>	<i>6.07%</i>	<i>71,785,920</i>	<i>5.87%</i>	<i>71,785,920</i>	<i>6.07%</i>	<i>71,785,920</i>	<i>5.87%</i>
Public:										
Quam Securities	-	-	99,383,487	8.40%	99,383,487	8.12%	-	-	-	-
Partners Capital	-	-	99,383,487	8.40%	99,383,487	8.12%	-	-	-	-
<i>sub-total</i>	<i>-</i>	<i>-</i>	<i>198,766,974</i>	<i>16.80%</i>	<i>198,766,974</i>	<i>16.24%</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Public Shareholders	397,433,948	50.37%	397,433,948	33.57%	397,433,948	32.48%	596,150,922	50.37%	596,150,922	48.72%
	<u>789,116,720</u>	<u>100.00%</u>	<u>1,183,675,080</u>	<u>100.00%</u>	<u>1,223,675,080</u>	<u>100.00%</u>	<u>1,183,675,080</u>	<u>100.00%</u>	<u>1,223,675,080</u>	<u>100.00%</u>

B. Assuming all the Warrants are being executed before the Record Date:

	Scenario 1 No Qualifying Shareholder takes up entitlement (except for the Undertaking Parties) Completion of the Open Offer (assuming that no Qualifying Shareholder takes up his/her/its entitlement under the Open Offer except for the undertaking parties) and the completion of the Acquisition and the subsequent full conversion of the Convertible Bond						Scenario 2 All Qualifying Shareholders take up the entitlement Completion of the Open Offer (assuming that all Qualifying Shareholders have taken up their respective entitlement) and the completion of the Acquisition and the subsequent full conversion of the Convertible Bond			
	Immediately prior to completion of the Open Offer		Immediately following completion of the Open Offer (assuming that no Qualifying Shareholder takes up his/her/its entitlement under the Open Offer except for the undertaking parties)		Immediately following completion of the Open Offer (assuming that no Qualifying Shareholder takes up his/her/its entitlement under the Open Offer except for the undertaking parties) and the completion of the Acquisition and the subsequent full conversion of the Convertible Bond		Immediately following completion of the Open Offer (assuming that all Qualifying Shareholders have taken up their respective entitlement)		Completion of the Open Offer (assuming that all Qualifying Shareholders have taken up their respective entitlement) and the completion of the Acquisition and the subsequent full conversion of the Convertible Bond	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
*Manciple Enterprises Ltd. (Note 1)	179,005,492	20.18%	268,508,238	20.18%	268,508,238	19.59%	268,508,238	20.18%	268,508,238	19.59%
*Yang Pei Gen	142,750,000	16.10%	214,125,000	16.10%	214,125,000	15.63%	214,125,000	16.10%	214,125,000	15.63%
*Glory Force Ltd. (Note 2 and 4)	117,800,000	13.28%	127,800,000	9.61%	127,800,000	9.33%	176,700,000	13.28%	176,700,000	12.89%
*Yip Yung Kan (Note 2)	1,970,000	0.22%	2,955,000	0.22%	2,955,000	0.22%	2,955,000	0.22%	2,955,000	0.22%
Lei I Si (Note 2)	100,000	0.01%	100,000	0.01%	100,000	0.01%	150,000	0.01%	150,000	0.01%
sub-total	119,870,000	13.51%	130,855,000	9.84%	130,855,000	9.56%	179,805,000	13.51%	179,805,000	13.12%
The Vendor	-	-	-	-	40,000,000	2.92%	-	-	40,000,000	2.92%
Directors:										
*Pang Hong Tao	7,000,000	0.79%	10,500,000	0.79%	10,500,000	0.77%	10,500,000	0.79%	10,500,000	0.77%
*Ma She Shing Albert	5,800,000	0.65%	8,700,000	0.65%	8,700,000	0.63%	8,700,000	0.65%	8,700,000	0.63%
*Mo Wai Ming Lawrence	20,057,280	2.26%	30,085,920	2.26%	30,085,920	2.20%	30,085,920	2.26%	30,085,920	2.20%
*Au Shui Ming Anna	15,000,000	1.69%	22,500,000	1.69%	22,500,000	1.64%	22,500,000	1.69%	22,500,000	1.64%
sub-total	47,857,280	5.39%	71,785,920	5.39%	71,785,920	5.24%	71,785,920	5.39%	71,785,920	5.24%
Public:										
Quam Securities	-	-	123,833,487	9.31%	123,833,487	9.03%	-	-	-	-
Partners Capital	-	-	123,833,487	9.31%	123,833,487	9.03%	-	-	-	-
sub-total	-	-	247,666,974	18.62%	247,666,974	18.06%	-	-	-	-
Public Shareholders	397,433,948	44.82%	397,433,948	29.87%	397,433,948	29.00%	596,150,922	44.82%	596,150,922	43.50%
	<u>886,916,720</u>	<u>100.00%</u>	<u>1,330,375,080</u>	<u>100.00%</u>	<u>1,370,375,080</u>	<u>100.00%</u>	<u>1,330,375,080</u>	<u>100.00%</u>	<u>1,370,375,080</u>	<u>100.00%</u>

* Undertaking Parties

- Notes:*
- 1 Manciple Enterprise Ltd., a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Lau.
 - 2 Glory Force Limited, a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Yip, was granted 117,800,000 Warrants on 14 September 2006 to subscribe for 117,800,000 new Shares at a subscription price of HK\$0.155 per Share. On 22 June 2007, the subscription rights attaching to 20,000,000 Warrants were exercised, resulting in issue of 20,000,000 ordinary Shares. As at the date of this announcement, Glory Force has not indicated if it will exercise any of his outstanding 97,800,000 Warrants from the date of this announcement to the Latest Lodging Date nor has it indicated that, if any its 97,800,000 outstanding Warrants are exercised, whether it will accept any or whole of its entitlement under the Open Offer. Ms. Lei is the spouse of Mr. Yip.
 - 3 Mr. Pang, Mr. Ma, Mr. Mo and Ms. Au are executive Directors.
 - 4 Assuming that Glory Force has exercised all its Warrants and the related entitlement for the 48,900,000 Offer Shares to be offered under the 97,800,000 Warrants are to be underwritten by the Underwriters.

FUNDS RAISED DURING THE PAST 12 MONTHS

During the past 12 months immediately preceding the date of this announcement, the Company has not conducted any fund raising activities.

REASONS FOR THE OPEN OFFER

The Group is engaged in the development and marketing of patented server based technology and the provision of software related services. Since May 2007, the Company is also engaged in the development, production and distribution of organic fertilizer in the PRC with a vision to actively participate in the agricultural market in the PRC in the long run.

As stated above, the Board is of the view that the Proposed Acquisition will serve to synergise with the Group's organic fertilizer business in the PRC and provide additional channel to the Group's long term development in the agricultural industry in the PRC as a whole. The Board (including the independent non-executive Directors) considers that the Open Offer represents an opportunity for the Company to raise fund to finance the Proposed Acquisition. Furthermore, the Open Offer will also enhance the working capital position and strengthen the capital base and financial position of the Group. Upon completion of the Open Offer, while the Proposed Acquisition will be financed, the Company will also be in a good position to capture any potential business opportunity and facilitate its business expansion and to enhance its earning potential, and therefore enhance the overall value of the Shares. Moreover, the Board (including the independent non-executive Directors) is of the view that it is in the interests of the Company and its Shareholders as a whole to raise the capital which through the Open Offer since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group.

USE OF PROCEEDS

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$29 million (assuming no outstanding Warrants are exercised on or before the Record Date) of which approximately HK\$22 million will be used to finance the Proposed Acquisition and the balance of approximately HK\$7 million will be applied either for the general working capital purpose of the Group or for the settlement of outstanding capital commitment in relation to the organic fertilizer business of the Group.

EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

2007

Last day of dealings in Shares on a cum-entitlement basis	Friday, 16 November
First day of dealings in Shares on an ex-entitlement basis	Monday, 19 November
Latest Lodging Date for the transfer of the Shares in order to qualify for the Open Offer.	4:00 p.m. on Tuesday, 20 November
Register of members of the Company closes (both dates inclusive).	Wednesday, 21 November to Monday, 26 November
Record Date.	Monday, 26 November
Despatch of the Prospectus Documents	Monday, 26 November
Register of members re-opens.	Tuesday, 27 November
Latest time for acceptance of, and payment for, the Open Offer	4:00 p.m. on Tuesday, 11 December
Latest Time for Termination	4:00 p.m. on Friday, 14 December
Expected time for all conditions to which the Open Offer is subject are fulfilled and the Open Offer becomes unconditional.	on or before 4:00 p.m. on Friday, 14 December

Announcement of results of the Open Offer on the Stock Exchange's website	Monday, 17 December
Certificates for the Offer Shares to be despatched on or before.	Tuesday, 18 December
Despatch of refund cheques in respect of excess unsuccessful applications	Tuesday, 18 December
Dealings in fully-paid Offer Shares commence on	Thursday, 20 December

Note: All times refer to Hong Kong local time in this announcement.

Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced by the Company as and when appropriate.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders and, the Prospectus, for information only, to the Prohibited Shareholders as soon as practicable.

ADJUSTMENTS IN RELATION TO THE WARRANTS

Pursuant to the terms of the Warrants, the subscription price of the Warrants will be adjusted in accordance with the deed poll of the Warrants upon the Open Offer becoming unconditional. Such adjustments will be verified by the auditors of the Company and the Company will notify the holders of the Warrants the adjustments upon the Open Offer becoming unconditional by way of an announcement, in case there are outstanding Warrants upon the Open Offer becoming unconditional.

(3) CHANGE OF COMPANY NAME

The Board proposes to change the name of the Company from “KanHan Technologies Group Limited” to “Shen Nong China (Group) Limited” and upon the name change becoming effective, the new Chinese name “神農中國(集團)有限公司” will be adopted to replace “看漢科技集團有限公司” for identification purpose only.

Since May 2007, the Company has commenced the business of the development, production and distribution of organic fertilizer in the PRC with a vision to actively participate in the agricultural industry in the PRC in the long run.

In view of the above and the Proposed Acquisition, the Board considers that the proposed new name will better reflect the long term business development of the Group in the agricultural industry in the PRC, as well as refresh its corporate identity and image. The Board is therefore of the view that the proposed change of name of the Company is in the interests of the Company and the shareholders as a whole.

The proposed Change of Company Name will be subject to the following:

1. the passing of a special resolution by the Shareholders at an extraordinary general meeting of the Company to approve the Change of Company Name; and
2. the Registrar of Companies in the Cayman Islands approving the Change of Company Name.

Subject to the approval of the Registrar of Companies in the Cayman Islands, the Change of Company Name will take effect upon the passing of the special resolution of the Shareholders at the extraordinary general meeting of the Company approving the Change of Company Name, or at such effective date as specified in the special resolution. The Company will then carry out all necessary filing procedures with the Companies Registry in Hong Kong.

The Change of Company Name will not affect any rights of the holders of securities of the Company. The existing certificates of securities in issue bearing the present name of the Company shall, after the proposed Change of the Company Name becoming effective, continue to be evidence of title to such securities and the existing share certificates will continue to be valid for trading, settlement, registration and delivery purposes. There will not be any arrangement for exchange of the existing certificates of securities.

Once the Change of Company Name becomes effective, new share certificates will be issued only in the new name of the Company. A circular containing, among other matters, details of the proposed Change of Company Name and a notice of the EGM will be despatched to the Shareholders as soon as practicable. The Company will make further announcements as and when appropriate on the results of the EGM, the arrangement relating to the Change of Company Name, the trading and dealings in the securities of the Company on the GEM of the Stock Exchange under the new name of the Company and as to when the new name of the Company will become effective.

(4) CHANGE OF AUDITOR

The Board announces that Messrs. Moores Rowland (formerly Moores Rowland Mazars) resigned as auditors of the Group. The resignation was due to the fact that Moores Rowland and the Board could not reach an agreement on the audit fee for the year ending 31 December 2007.

On 23 October 2007, the Company received notice from Moores Rowland of their resignation as auditors of the Company and its subsidiaries with immediate effect. In the notice of resignation, Moores Rowland confirmed that there were no circumstances connected with their resignation which they considered should be brought to the attention of the shareholders or creditors of the Company or its subsidiaries. The Board confirmed that there is no other issue that should be brought to the attention of the shareholders or creditors of the Group. The Board also confirmed that Moores Rowland has not commenced any audit work of the Company and its subsidiaries for the year ending 31 December 2007. Pursuant to Articles 176(a) of the Articles of Association of the Company, Vision A.S. Limited has been appointed by the Board on 24 October 2007 as auditors of the Group to fill the casual vacancy following the resignation of Moores Rowland until the conclusion of the next annual general meeting.

(5) GENERAL

An EGM will be convened to consider and, if thought fit, approve the Proposed Acquisition and the Change of Company Name. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder is required to abstain from voting at the EGM.

A circular containing, among other things, the details of the Proposed Acquisition and the Change of Company Name, together with a notice of the EGM will be despatched to the Shareholders as soon as practicable.

The Prospectus Documents will be despatched to the Qualifying Shareholders and, the Prospectus, for information only, will be despatched to the Prohibited Shareholders as soon as practicable.

(6) SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 30 October 2007 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 9:30 a.m. on 5 November 2007.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Agreement”	the conditional agreement dated 29 October 2007 and entered into among the Vendor, the Purchaser and Proud Dragon in respect of the acquisition of the Sale Shares and the subscription of the Subscription Shares by the Purchaser
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“Application Form(s)”	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares
“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Bond Certificate”	the certificate to be issued by the Company on Completion evidencing the entitlement of the holders thereof to the Convertible Bond
“Bondholder”	the holder of the Convertible Bond
“business day”	any day (other than a Saturday or Sunday or public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Change of Company Name”	the proposed change of the name of the Company from “KanHan Technologies Group Limited” to “Shen Nong China (Group) Limited” and upon the name change becoming effective, the new Chinese name “神農中國(集團)有限公司” will be adopted to replace “看漢科技集團有限公司” for identification purpose only
“Company”	KanHan Technologies Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Completion”	completion of the Agreement
“Conversion Price”	the initial conversion price of HK\$0.25 per Conversion Share, subject to adjustments, pursuant to the terms of the Convertible Bond
“Conversion Shares”	the Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bond
“Convertible Bond”	the convertible bonds in the principal amount of HK\$10,000,000, to be issued by the Company to the Vendor
“Deposit”	collectively (i) HK\$3,000,000 paid by the Purchaser to the Vendor within three business days from the date of the MOU; (ii) HK\$3,200,000 paid by the Purchaser to the Vendor on the date of the Agreement, together being part of the

Sale Consideration; and (iii) HK\$15,800,000 payable by the Purchaser to Proud Dragon within three business days from the date on which Conditions(c) and (h) under the sub-section headed “Condition precedents” under the section headed “The Agreement” have been fulfilled, being the Subscription Consideration

“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Proposed Acquisition and the Change of Company Name
“Excess Application Form(s)”	the form of application for excess Offer Shares
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Glory Force”	Glory Force Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Yip
“Guarantee Certificate”	the certificate to be given by the auditors for the time being of Proud Dragon certifying the amount of the Actual Profit 2008 or, as the case may be, the Average Actual Profit
“HK Subsidiary”	Jetrise Development Limited, a company incorporated in Hong Kong with limited liability and is wholly and beneficially owned by Proud Dragon
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Lodging Date”	being 4:00 p.m. on 20 November 2007 or such other date and/or time as Partners Capital on behalf of the Underwriters and the Company may agree as the latest time for lodging transfer of the Shares in order to qualify for the Open Offer
“Latest Time for Acceptance”	4:00 p.m. on 11 December 2007 or such later time or date as may be agreed between the Company and Partners Capital on behalf of the Underwriters, being the latest time for acceptance of, and payment for, the Offer Shares

“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and Partners Capital on behalf of the Underwriters, being the latest time to terminate the Underwriting Agreement
“Manciple”	Manciple Enterprises Ltd., a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Lau
“MOU”	the memorandum of understanding dated 4 October 2007 and entered into among the Company, the Vendor and Proud Dragon in respect of the proposed acquisition of the whole or part of equity interest held by the Vendor in Proud Dragon
“Mr. Lau”	Mr. Lau Kim Hung Jack
“Mr. Ma”	Mr. Ma She Shing Albert, an executive Director and chairman of the Company
“Mr. Mo”	Mr. Mo Wai Ming Lawrence, an executive Director
“Mr. Pang”	Mr. Pang Hong Tao, an executive Director
“Mr. Yang”	Mr. Yang Pei Gen
“Mr. Yip”	Mr. Yip Yung Kan
“Ms. Au”	Ms. Au Shui Ming Anna, an executive Director
“Ms. Lei”	Ms. Lei I Si, the spouse of Mr. Yip
“Offer Share(s)”	not less than 394,558,360 new Shares and not more than 443,458,360 new Shares, proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus
“Open Offer”	the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents

“Overseas Shareholders”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“Partners Capital”	Partners Capital International Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prohibited Shareholder(s)”	those Overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Offer Shares based on the enquiry regarding the legal restrictions, if any, under the laws of the relevant jurisdictions where the Overseas Shareholders reside
“Promissory Note”	the promissory note to be executed by the Company in favour of the Vendor for the purpose of settling partially the Sale Consideration
“Proposed Acquisition”	the proposed acquisition of the Proud Dragon Group through the purchase of the Sale Shares and the Subscription Shares by the Purchaser as contemplated under the Agreement
“Prospectus”	a prospectus containing details of the Open Offer
“Prospectus Documents”	the Prospectus, the Application Form and the Excess Application Form
“Prospectus Posting Date”	26 November 2007 or such later date as may be agreed between the Partners Capital on behalf of the Underwriters and the Company for the despatch of the Prospectus Documents
“Proud Dragon”	Proud Dragon Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendor as at the date of the Agreement
“Proud Dragon Group”	Proud Dragon and its subsidiaries, including the HK Subsidiary and after completion of the Reorganisation, Zhong Tian Water Supply

“Proud Dragon Shares”	the ordinary shares of US\$1.00 each in the share capital of Proud Dragon
“Purchaser”	Rise Assets Limited, a company incorporated in the British Virgin Islands and is wholly and beneficially owned by the Company
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Prohibited Shareholders
“Quam Securities”	Quam Securities Company Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO
“Record Date”	26 November 2007 or such other date as may be agreed between the Company and Partners Capital on behalf of the Underwriters for the determination of the entitlements under the Open Offer
“Reorganisation”	the reorganisation of the Proud Dragon Group upon completion of which Proud Dragon, through the HK Subsidiary, will own as to 70% equity interest in Zhong Tian Water Supply, which will be transformed into a Chinese foreign equity joint venture
“Sale Consideration”	the consideration for the sale and purchase of the Sale Shares, being HK\$31,800,000
“Sale Shares”	318 Proud Dragon Shares, being the entire issued share capital of Proud Dragon as at the date of the Agreement, representing the entire issued share capital of Proud Dragon as at the date of this announcement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	existing ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription of the Subscription Shares in accordance with the terms of the Agreement
“Subscription Consideration”	the consideration for the subscription and allotment and issue, of the Subscription Shares, being HK\$15,800,000
“Subscription Shares”	158 Proud Dragon Shares to be allotted and issued by Proud Dragon to the Purchaser in accordance with the terms of the Agreement
“Subscription Price”	HK\$0.08 per Offer Share
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Undertaking Parties”	Mr. Lau, Mr. Yang, Mr. Yip, Mr. Pang, Mr. Ma, Mr. Mo and Ms. Au
“Underwriters”	Quam Securities and Partners Capital
“Underwriting Agreement”	the underwriting agreement between the Company and the Underwriters dated 29 October 2007 in relation to the Open Offer
“Underwritten Shares”	not less than 198,766,974 Offer Shares and not more than 247,666,974 Offer Shares, being all Offer Shares less 195,791,386 Offer Shares agreed to be taken up or procured to be taken up by the Undertaking Parties
“Vendor”	Mr. Yip Yuk Tong, the ultimate beneficial owner of 100% interest in Proud Dragon, and to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, is a third party independent of the Company and its connected persons under the GEM Listing Rules
“Warrants”	the 97,800,000 warrants conferring rights to subscribe up to 97,800,000 Shares of approximately HK\$15.159 million in aggregate for Shares, equivalent to the aggregate subscription price for a total of 97,800,000 Shares on the basis of an initial subscription price of HK\$0.155 per Share (subject to adjustment)

“Zhong Tian Water Supply”	Dang Tu Xian Zhong Tian Water Supply Limited (當塗縣中天供水有限公司), a company established in the PRC with limited liability which immediately upon completion of the Reorganisation, will be transformed into a Sino foreign equity joint venture and will be owned as to 70% of its equity interest indirectly by Proud Dragon through the HK Subsidiary
“HK\$”	Hong Kong dollars
“%”	Per cent.

By Order of the Board
KanHan Technologies Group Limited
Pang Hong Tao
Executive Director

Hong Kong, 2 November 2007

As at the date of this announcement, the executive Directors are Mr. Ma She Shing, Albert, Mr. Mo Wai Ming, Lawrence, Mr. Pang Hong Tao, Peter and Ms. Au Shui Ming, Anna. The independent non-executive Directors are Mr. Hsu William Shiu Foo, 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 Company. 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.