KANHAN TECHNOLOGIES GROUP LIMITED
看漢科技集團有限公司*

(Proposed to be renamed as Shen Nong China (Group) Limited 神農中國(集團)有限公司)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8175)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

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

This announcement, for which the directors of KanHan Technologies Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to KanHan Technologies Group Limited. The directors, having made all reasonable enquiries, confirmed 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.

* *For identification purpose only*

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") is pleased to present the audited consolidated financial statements of KanHan Technologies Group Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2007 together with the comparative audited figures for the year 2006, as follows:

Consolidated Income Statement
For the year ended 31 December 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
TURNOVER	*5*	**21,238**	6,622
Cost of sales		**(6,768)**	(3,489)
Gross profit		**14,470**	3,133
Other revenue and gains	*5*	**2,823**	656
Research and development expenses		**(1,101)**	(1,166)
Selling and distribution costs		**(1,171)**	(1,189)
Administrative expenses		**(10,645)**	(7,707)
Finance costs	*6*	**(236)**	–
PROFIT/(LOSS) BEFORE TAX	*7*	**4,140**	(6,273)
Tax	*8*	**(3,434)**	–
PROFIT/(LOSS) FOR THE YEAR		**706**	(6,273)
Attributable to:			
Equity holders of the Company	*9*	**(2,470)**	(6,273)
Minority interests		**3,176**	–
		706	(6,273)
LOSS PER SHARE	*11*		
– Basic		**(0.27 cents)**	(0.88 cents)
			(restated)

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,070**	158
Goodwill		**51,207**	–
Other intangible assets		**1,387**	–
Total non-current assets		**61,664**	158
CURRENT ASSETS			
Inventories		**1,053**	62
Trade and other receivables	*12*	**24,772**	4,638
Cash and bank balances		**48,287**	22,707
Total current assets		**74,112**	27,407
CURRENT LIABILITIES			
Trade and other payables	*13*	**8,813**	3,989
Financial assistance from government		**268**	236
Tax payable		**3,526**	–
Total current liabilities		**12,607**	4,225
Net current assets		**61,505**	23,182
Total assets less current liabilities		**123,169**	23,340
NON-CURRENT LIABILITIES			
Financial assistance from government		**1,027**	1,059
Promissory note		**4,467**	–
Total non-current liabilities		**5,494**	1,059
		117,675	22,281
EQUITY			
Issued capital		**66,519**	29,498
Reserves		**33,137**	(7,217)
		99,656	22,281
Minority interests		**18,019**	–
Total equity		**117,675**	22,281

Statement Of Changes In Equity

For the year ended 31 December 2007

	Share capital	Share premium	Special reserve*	Warrant subscription reserve	Exchange reserve	Employee share-based compensation reserve	Accumulated losses	Subtotal	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	7,004	20,704	10,084	–	–	567	(37,608)	751	–	751
Issue of rights shares	22,124	3,097	–	–	–	–	–	25,221	–	25,221
Issue of warrants under the placing	–	–	–	1,767	–	–	–	1,767	–	1,767
Share/warrant issue expenses	–	(2,250)	–	(298)	–	–	–	(2,548)	–	(2,548)
Shares issued upon exercise of share options	370	1,270	–	–	–	(567)	–	1,073	–	1,073
Employee share-based compensation	–	–	–	–	–	2,314	–	2,314	–	2,314
Exchange realignment	–	–	–	–	(24)	–	–	(24)	–	(24)
Loss for the year	–	–	–	–	–	–	(6,273)	(6,273)	–	(6,273)
At 31 December 2006 and 1 January 2007	29,498	22,821	10,084	1,469	(24)	2,314	(43,881)	22,281	–	22,281
Issue of shares on open offer	22,173	13,304	–	–	–	–	–	35,477	–	35,477
Consideration shares	6,788	10,181	–	–	–	–	–	16,969	–	16,969
Share/warrant issue expenses	–	(978)	–	–	–	–	–	(978)	–	(978)
Shares issued upon exercise of share options	2,170	9,695	–	–	–	(2,931)	–	8,934	–	8,934
Shares issued upon exercise of warrants	5,890	13,838	–	(1,469)	–	–	–	18,259	–	18,259
Employee share-based compensation	–	–	–	–	–	617	–	617	–	617
Acquisition of subsidiaries	–	–	–	–	40	–	–	40	14,093	14,133
Exchange realignment	–	–	–	–	527	–	–	527	750	1,277
Loss for the year	–	–	–	–	–	–	(2,470)	(2,470)	3,176	706
At 31 December 2007	66,519	68,861	10,084	–	543	–	(46,351)	99,656	18,019	117,675

* The special reserve represents the difference between the nominal amount of shares and share premium of KanHan Technologies Inc. at the date which it was acquired by the Company and the nominal amount of the Company's shares issued as consideration pursuant to the Group reorganisation taken place.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. GENERAL INFORMATION

KanHan Technologies Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and principal place of business of the Company are located at Caledonian House, P.O. Box 1043, George Town, Grand Cayman, Cayman Islands and the 15th Floor, Sun House, 181 Des Voeux Road Central, Hong Kong, respectively.

The Company's principal activity has not changed during the year and consisted of investment holding.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial statements beginning on or after 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments : Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustments have been required.

HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report.

HKFRS 7 – Financial Instruments : Disclosures

HKFRS 7 – Financial Instruments : Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including in the comparative information have been updated to reflect the new requirements. In particular, the Group's consolidated financial statements now feature:

– a sensitive analysis explained the Group's market risk exposure in regard to its financial instruments, and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

HK(IFRIC)-Int 8-Scope of HKFRS 2
This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to its employees in accordance with the Group's share option scheme, the interpretation has had no effect on these financial statements.

HK(IFRIC)-Int 9-Reassessment of Embedded Derivatives
This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

HK(IFRIC)-Int 10-Interim Financial Reporting and Impairment
The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

3.1 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 March 2007

3 Effective for annual periods beginning on or after 1 January 2008

4 Effective for annual periods beginning on or after 1 July 2008

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating business are structured and managed separately according to the nature of their operations and the products and services they provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the server-based technology and related products segment provides language communication software and platforms;

(b) the organic fertilizers segment produces and distributes organic fertilizers.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the year ended 31 December 2006, more than 90% of the Group's turnover and operating assets were attributable to the development of server-based language technologies in the Special Administrative Region of Hong Kong. Accordingly, no analysis by either business or geographical segment for the year ended 31 December 2006 is included in these financial statements.

(a) **Business segments**

The following table presents revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the year ended 31 December 2007.

	Server-based technology and related products *HK$'000*	**Production and distribution of organic fertilizer** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:			
Sales to external customers	6,929	14,309	21,238
Segment results	(1,874)	9,916	8,042
Unallocated revenue			377
Unallocated expenses			(4,043)
Unallocated finance costs			(236)
Profit before tax			4,140
Tax			(3,434)
Profit for the year			706

	Server-based technology and related products *HK$'000*	**Production and distribution of organic fertilizer** *HK$'000*	**Consolidated** *HK$'000*
Assets and liabilities			
Segment assets	2,037	95,132	97,169
Unallocated assets			38,607
Total assets			135,776
Segment liabilities	5,583	7,151	12,734
Unallocated liabilities			5,367
Total liabilities			18,101
Other segment information:			
Depreciation	104	108	212
Capital expenditure	42	10,237	10,279

(b) Geographical segments

The following table presents revenue and certain asset, liability and expenditure information for the Group's geographical segments for the year ended 31 December 2007.

	Mainland China	**Hong Kong**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	14,460	6,778	21,238
Other segment information:			
Segment assets	95,183	40,593	135,776
Capital expenditure	10,237	42	10,279

5. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the year.

An analysis of the Group's turnover, other revenue and gains is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
TURNOVER		
Sales of organic fertilizers	**14,309**	–
Sales of licensed software	**4,111**	4,979
Software maintenance service	**803**	741
Software rental and subscription income	**328**	306
Website development	**1,001**	308
Putonghua learning platform	**686**	288
	21,238	6,622

	Group 2007 HK$'000	2006 HK$'000
OTHER REVENUE AND GAINS		
Bank interest income	**400**	585
Commission income	**–**	41
Exchange gain, net	**–**	30
Income from transfer of technologies	**2,364**	–
Sundry income	**59**	–
	2,823	656

6. **FINANCE COSTS**

	Group 2007 HK$'000	2006 HK$'000
Interest on promissory note	**236**	–

7. **PROFIT/(LOSS) BEFORE TAX**

Profit/(loss) before tax is arrived at after charging:

	Group 2007 HK$'000	2006 HK$'000
Employee benefits expenses		
(excluding directors' remuneration)	**5,493**	3,402
Salaries and allowances	**373**	152
Pension scheme contributions	**–**	1,264
	5,866	4,818
Auditor's remuneration		
– underprovided in prior year	**–**	20
– current year	**301**	260
Exchange loss, net	**53**	–
Minimum lease payments under operating leases on land and buildings	**1,198**	395
Cost of services rendered	**408**	413
Cost of inventories sold	**6,360**	3,076
Depreciation of property, plant and equipment	**212**	173

8. TAX

No provision for Hong Kong profits tax has been made in the financial statements as the Group did not have any assessable income arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current year provision		
Hong Kong	**–**	–
PRC	**3,434**	–
Tax charge for the year	**3,434**	–

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**4,140**	(6,273)
Income tax at applicable tax rate of 17.5% (2006: 17.5%)	**724**	(1,098)
Effect of different tax rates in other jurisdictions	**645**	–
Expenses not deductible for tax	**2,127**	705
Income not subject to tax	**(415)**	(23)
Deductible temporary differences not recognised	**8**	21
Tax losses not recognised	**345**	395
Tax charge at effective rate	**3,434**	–

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year ended 31 December 2007 includes a loss of HK$4,454,000 (2006: loss HK$5,156,000) which has been dealt with in the financial statements of the Company.

10. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year (2006: nil).

11. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issuing during the year, as adjusted to reflect the shares issued under the open offer during the year.

The calculation of basic loss per share is based on:

	2007	2006
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the Company	**(2,470)**	(6,273)

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issuing during the year	907,881,918	713,894,013
		(restated)

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2006 has been retrospectively adjusted for the effect of the open offer completed during the current year.

Diluted loss per share is not presented as the share options had anti-dilutive effects on the basic loss per share.

12. TRADE AND OTHER RECEIVABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**5,167**	775
Deposits, prepayment and other receivables	**13,405**	1,363
Deposits paid under a non-legally binding memorandum of understanding	**–**	2,500
Deposit paid for acquisition of subsidiaries	**6,200**	–
	24,772	4,638

An ageing analysis of the trade receivables at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**4,688**	175
31 – 60 days	**312**	559
61 – 90 days	**167**	10
Over 90 days	**–**	31
	5,167	775

On 15 May 2006, the Company entered into a non-legally binding memorandum of understanding ("MOU") with Excel State Group Limited ("Excel State") and Mr. Yang Shuxin in relation to the proposed acquisition of the whole or part of equity interests held by Mr. Yang Shuxin in Excel State, which holds 51% indirect interests in Shantou Jinshui Technology Limited ("Jinshui").

During the year ended 31 December 2006, a refundable amount of HK$2,500,000 was paid by the Company to Mr. Yang Shuxin as earnest money. No legally-binding formal agreement had been entered into on or before 31 March 2007 and the sum was refunded to the Company in full during the year.

13. TRADE AND OTHER PAYABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade Payables	**2,090**	269
Deferred income	**1,727**	636
Accured liabilities and other payables	**4,996**	3,084
	8,813	3,989

An ageing analysis of the trade payables as at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**1,667**	126
31 – 60 days	**46**	31
61 – 90 days	**316**	112
Over 90 days	**61**	–
	2,090	269

14. POST BALANCE SHEET EVENTS

(a) The Company will be renamed as Shen Nong China (Group) Limited (神農中國(集團)有限公司) following the passing of a special resolution at the Company's extraordinary general meeting held on 16 January 2008. The registration of the change of the Company's name at the Companies Registry in Hong Kong is under processing.

The Company will make further announcements as and when appropriate for the change of the Company name, stock short name, trading arrangement and exchange of share certificates as soon as practicable.

(b) On 29 October 2007, Rise Assets Limited ("Rise Assets") entered into the agreement with Proud Dragon Limited ("Proud Dragon") and Mr. Yip Yuk Tong (the "Vendor") in relation to the acquisition of the equity interest held by the Vendor in Proud Dragon with a consideration of HK$47,600,000 which comprises the Sale Consideration and the Subscription Consideration. The Sale Consideration will be settled as to HK$6,200,000 by cash, HK$10,000,000 by convertible bond and balance of HK$15,600,000 by promissory note, whereas the Subscription Consideration of HK$15,800,000 will be settled by cash. As at 31 December 2007, HK$6,200,000 was paid as earnest money for the acquisition.

Upon reorganization, Proud Dragon will hold 70% equity interest in Dang Tu Xian Zhong Tian Water Supply Limited (當涂縣中天供水有限公司) which is principally engaged in the management of water plants and the provision of water supply in the rural areas of Anhui, the PRC.

On 6 February 2008, the Board announced that completion of the acquisition of the entire issued share capital of Proud Dragon took place on 6 February 2008. Upon Completion, in addition to the cash consideration which was paid, the Company has issued the Convertible Bonds in principal amount of HK$10,000,000 and the Promissory Note in a principal sum of HK$15,600,000 to the Vendor and forthwith upon Completion, the Bond Certificate has been deposited with the Purchaser in accordance with the terms of the Agreement.

(c) On 31 January 2008, Jinan Shiji Jiangshan Resource Recycling Technology Limited ("Shiji Jiangshan") entered into a legal binding agreement with 鍾國山 (the "Vendor") in relation to the acquisition of 75% equity interest held by the Vendor in 來安縣漢河供水有限公司, which was incorporated in the People's Republic of China and principally engaged in the provision of water supply in the rural areas of Anhui, the PRC, with a consideration of RMB2,250,000 (the "Sale Consideration"). The Sale Consideration was settled by cash in February 2008 upon completion.

BUSINESS REVIEW

Software Business

Selling of software remained challenging in the market. Commercial customers still delay their investment into software related projects. As such, sales performance of software business is still behind our expectation. For the year ended 31 December 2007, the software business recorded a net loss attributable to shareholders of approximately HK$1,874,000.

However, the directors believe that with the continuing growth of economy in particular, the information technology industry and the telecommunication industry, and the living standard of people in the PRC, the information technology business remains a promising business to be developed in the Greater China Region.

Organic Fertilizer Business

In May 2007, the Company completed the acquisition of Silky Sky Group, which is principally engaged in the development, production and distribution of organic fertilizer in the PRC. The organic fertilizer business provides a stable income stream for the Group. For the year ended 31 December 2007, turnover generated from organic fertilizer business amounted to approximately HK$14,309,000 which accounted for 67.4% of the total sales of the Group.

Pursuant to the Formal Agreement, the Vendor, Mr. Yang Pei Gen ("Mr. Yang"), has guaranteed and warranted to the Purchaser that the audited consolidated net profit after taxation and extraordinary or exceptional items of the Target for the year ended 31 December 2007 (the "**Net Profit**") shall not be less than HK$5 million (the "**Guaranteed Profit**"). In the event the Guaranteed Profit is not achieved, the amount of total consideration will be adjusted downwards by setting off against the payment obligations of the Purchaser under the Promissory Note on a dollar to dollar basis in an amount equivalent to the shortfall which will be equal to the difference between the actual Net Profit and the Guaranteed Profit. In the event that the compensation amount under the Profit Guarantee exceeds the payment obligations of the Purchaser under the Promissory Note, the Vendor shall be obligated to pay any such shortfall to the Purchaser in cash.

The Board announces that the actual audited consolidated net profit after taxation and extraordinary or exceptional items of the Target for the year ended 31 December 2007 was HK$2,436,100 and therefore the Guaranteed Profit of HK$5,000,000 has not been met. In accordance with the Regulation of Fertilizer Registration Management (肥料登記管理辦法), Temporary Fertilizer Registration Certificate (肥料臨時登記證) is required to be obtained before commercial production of organic fertilizer can be conducted in the PRC. Due to unexpected delay in the application procedure, the Subsidiary was not able to obtain such certificate until November 2007. The production schedule of the Subsidiary was delayed. The turnover of the Subsidiary for the year ended 2007 was lower than expected and the Net Profit did not meet the Guaranteed Profit.

Accordingly, Mr. Yang is obliged to compensate for the shortfall of HK$2,563,900. As at 27 March 2008, the total outstanding sum of the Promissory Note payable to Mr. Yang is HK$1,048,832. In accordance with the terms stipulated in the Formal Agreement, such balance is set off against the shortfall of HK$2,563,900. On 27 March 2008, Mr. Yang has paid the balance of the shortfall of HK$1,515,068 to the Purchaser, a subsidiary of the Company, in cash. Accordingly, Mr. Yang has fulfilled his obligations in accordance with the Formal Agreement in relation to the Profit Guarantee.

FINANCIAL REVIEW

Results

For the year ended 31 December 2007, the Group's turnover grew 3.2 times to approximately HK$21,238,000 compared with approximately HK$6,622,000 last year, Turnover from the software business recorded an increase of 4.6% to approximately HK$6,929,000 in the current year compared to the previous year. Turnover from the organic fertilizer business of approximately HK$14,309,000 was recorded as a result of the acquisition of Silky Sky Group in the current year.

The gross profit margin was 68.1% in 2007 as compared to 47.3% in 2006. The improvement in profit margin was primarily due to the increase in turnover in current year.

Administrative expenses for the year ended 31 December 2007 amounted to approximately HK$10,645,000 (2006: HK$7,707,000), representing an increase of 38.1%. The Company recognized the equity-settled share base payment of approximately HK$617,000 (2006: HK$2,314,000) in respect of the share options granted during the year. Adjusted for this non-cash expense item, the administrative expenses increased by 86% as a result of the consolidation of results of Silky Sky Group.

Net loss attributable to shareholders for 2007 amounted to approximately HK$2,470,000, representing a 60.6% decrease as compared to a loss of approximately HK$6,273,000 in previous year. Such improvement was mainly attributable to the contribution of Silky Sky Group.

PROSPECTS

Looking ahead in the year 2008, whilst the market condition of the software business will remain challenging, one of the biggest snow in the past 50 years happened in the PRC in early 2008 has imposed challenges on its fertilizer business. The Group will continue to engage in these two streams of businesses. Resources will be deployed to the areas which will prove to generate higher return and profitability to the shareholders and the Group as a whole.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group had current assets of approximately HK$74,112,000 (2006: HK$27,407,000) and current liabilities of approximately HK$12,607,000 (2006: HK$4,225,000). The current assets were comprised of cash and bank balances of HK$48,287,000 (2006: HK$22,707,000) together with trade and other receivables of HK$24,772,000 (2006: HK$4,638,000). The Group's current liabilities were comprised mainly of trade and other payables of approximately HK$8,813,000 (2006: HK$3,989,000). The Group had no bank borrowings at 31 December 2007 (2006: Nil) but an outstanding loan granted by government of approximately HK$1,295,000 (2006: HK$1,295,000). As at 31 December 2007, the Group had a current ratio of approximately 5.88 as compared to that of 6.49:1 at 31 December 2006.

The Group principally finances its operations and investing activities with its operating revenue, internal resources and balance of proceeds from the issuance of unlisted warrants and open offer. The directors of the Company believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2007, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

(a) During the year, Rise Assets Limited ("Rise Assets"), a wholly-owned subsidiary of the Company acquired the entire issued share capital of Silky Sky Investments Limited ("Silky Sky") from Mr. Yang Pei Gen ("the Vendor") for a consideration of HK$61,000,000.

    Sky Rich Limited, a wholly-owned subsidiary of Silky Sky, owns 51% equity interest in Jinan Shiji Jiangshan Resource Recycling Technology Limited（濟南世紀江山再生資源技術開發有限公司）("Shiji Jiangshan"). Shiji Jiangshan, an equity joint venture company established in the PRC, is principally engaged in the production and distribution of organic fertilizer through a technology which converts organic wastes into organic fertilizer.

    Details of the acquisition were disclosed in the circular of the Company dated 20 April 2007.

(b) On 29 October 2007, Rise Assets entered into the agreement with Proud Dragon Limited ("Proud Dragon") and Mr. Yip Yuk Tong ("the Vendor") in relation to the acquisition of the equity interest held by the Vendor in Proud Dragon with a consideration of HK$47,600,000.

Proud Dragon owns 70% equity interest in Dang Tu Xian Zhong Tian Water Supply Limited（當涂縣中天供水有限公司）which is principally engaged in the management of water plants and the provision of water supply in the rural areas of Anhui Province, PRC.

On 6 February 2008, Rise Assets completed the acquisition of Proud Dragon. Details of the acquisition were disclosed in the circular of the Company dated 18 January 2008.

CHANGE OF COMPANY NAME

The Company will be renamed as Shen Nong China (Group) Limited（神農中國（集團）有限公司）following the passing of a special resolution at the Company's extraordinary general meeting held on 16 January 2008. The registration of the change of the Company's name at the Companies Registry in Hong Kong is under processing.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the accumulated losses of the Company exceeded the aggregate of share premium and contributed surplus, thus the Company did not have any reserves available for distribution (2006: Nil).

FOREIGN EXCHANGE RISK

Since almost all transactions of the Group are denominated either in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group had no material contingent liabilities.

EMPLOYEE INFORMATION

As at 31 December 2007, the Group had 40 (2006: 27) full-time employees. Employee costs for the year 2007, excluding directors' emoluments, amounted to approximately HK$5,866,000 (2006: HK$4,818,000). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided. In addition, training and development courses are offered throughout the Group to upgrade employee skills and knowledge.

The Group also adopts an employee share option scheme to provide eligible employees performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

COMPETING INTERESTS

The directors believe that none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules by establishing formal and transparent procedures to protect and maximize the interests of shareholders throughout the year ended 31 December 2007.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.46 to 5.68 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments on the Company draft and reports and accounts, reports and quarterly reports directors. The audit committee comprises three members, Mr. Kwok Chi Sun Vincent, Mr. Hsu Shiu Foo, William and Mr. Lee Kun Hung, all of them are independent non-executive directors. The chairman of the audit committee is Mr. Kwok Chi Sun Vincent.

The Group's unaudited quarterly and interim results and annual results for the year ended 31 December 2007 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirement and that adequate disclosures has been made.

By Order of the Board
Pang Hong Tao
Chairman

27 March 2008

As at the date of this announcement, the executive Directors are Mr. Pang Hong Tao, Mr. Yang Pei Gen, Mr. Mo Wai Ming, Lawrence and Ms. Au Shui Ming, Anna. The non-executive Director is Mr. Ma She Shing, Albert. The independent non-executive Directors are Mr. Hsu Shiu Foo William, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent.

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting.