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Shen Nong China (Group) Limited  
神農中國(集團)有限公司

**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)

**DISCLOSEABLE TRANSACTION**

**ACQUISITION OF 8.26% SHAREHOLDING INTEREST IN  
A COPYRIGHT MANAGEMENT AND DIGITAL LICENSING BUSINESS**

**Financial adviser to the Company**



**INCU Corporate Finance Limited**

On 14 April 2008 (after trading hour), the Subscriber, a wholly owned subsidiary of the Company, entered into the Agreement with Far Glory pursuant to which the Subscriber shall subscribe and Far Glory shall allot and issue, the Subscription Shares at a total consideration of HK\$20,250,000.

Far Glory owns 50% indirect shareholding interest in Beijing e-License.

The Subscription Shares represent: (i) 9% of the entire issued share capital of Far Glory as at the date of this announcement; and (ii) approximately 8.26% of the entire issued share capital of Far Glory as enlarged by the allotment and issue of the Subscription Shares.

The Subscription constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules. A circular containing, among other matters, further details of the Subscription will be despatched to the Shareholders in compliance with the GEM Listing Rules.

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## **THE AGREEMENT**

**Date:** 14 April 2008 (after trading hour)

### **Parties:**

**Subscriber:** the Subscriber, a wholly owned subsidiary of the Company

**Target:** Far Glory, which is owned as to 19% by Mr. Lau Kim Hung, Jack, a substantial Shareholder and the balance of 81% by four parties (none of them hold more than 50% interest in Far Glory) who are all third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Mr. Lau Kim Hung, Jack, a substantial Shareholder, owns as to 19% shareholding interest (and will be diluted to 17.43% after the issuance of the Subscription Shares) of Far Glory. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for aforesaid, Far Glory and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

### **Assets to be acquired**

The Subscription Shares represent: (i) 9% of the entire issued share capital of Far Glory as at the date of this announcement; and (ii) approximately 8.26% of the entire issued share capital of Far Glory as enlarged by the allotment and issue of the Subscription Shares.

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

### **Consideration**

The total consideration for the Subscription Shares is HK\$20,250,000, which will be settled by the internal resources of the Group in cash in the following manner: (i) HK\$5,000,000 shall be payable by the Subscriber to Far Glory on Completion; and (ii) the balance of the Consideration shall be payable to Far Glory at the request of Far Glory, in multiples of HK\$5,000,000 during the forth to sixth months

after Completion and, if mutually agreed by the Subscriber and Far Glory, to be extended by a further six months (“Repayment Period”). The Subscriber, may at its discretion, repay the balance of the Consideration after Completion and until the end of the Repayment Period.

### **Conditions precedent**

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

- (a) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the subscription of the Subscription Shares having been obtained;
- (b) all necessary consents and approvals required to be obtained on the part of Far Glory in respect of the subscription of the Subscription Shares having been obtained;
- (c) the warranties provided by Far Glory under the Agreement remaining true and accurate in all respects; and
- (d) the Subscriber being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Target Group.

Conditions (b), (c) and (d) above are waivable by the Subscriber under the Agreement. The Subscriber has no current intention to waive such conditions. Other than conditions (b), (c) and (d), the other condition is 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 Far Glory and the Subscriber.

### **Long-stop date**

If all of the conditions are not fulfilled (or as the case may be, waived by the Subscriber) on or before 30 April 2008 (or such later date as the Company and the Subscriber may agree), the Agreement shall cease and determine and together, neither party shall have any obligations towards each other.

### **INFORMATION ON THE TARGET GROUP**

According to the unaudited management accounts of the Target Group for the period commencing from 8 June 2007, the date of incorporation to 31 December 2007, there was no turnover, and the net loss before and after taxation and extraordinary items was approximately HK\$508,000.

As at 31 December 2007, the principal asset of the Target Group was cash and bank balances of approximately HK\$5,127,000 and the net assets of the Target Group will be approximately HK\$5,722,000 after capitalisation of shareholders' loan of approximately HK\$6,179,000.

The Target Group will be principally engaged in the provision of copyright management solution and the related consultancy services, the digital content licensing solution and the distribution of copyright protected items (such as on-line entertainment and media related items) in the PRC. The Target Group will conduct its business through two wholly foreign owned enterprises, namely Beijing LianYiHuiZhong Technology Company Limited (北京聯易匯眾科技有限公司) ("BLTC") and Beijing YiLaiShen Technology Company Limited (北京易來申科技有限公司) ("Beijing e-License"). BLTC is 100% owned by the Target Group and will be principally engaged in the distribution of copyright protected items (such as on-line entertainment and media related items) and other entertainment related business in the PRC. Beijing e-License is 50% beneficially owned by the Target Group and the rest of the shareholding interest is indirectly owned by e-License Inc. (Japan). Beijing e-License will be principally engaged in the provision of copyright management solution and the related consultancy services, the digital content licensing solution and the distribution of copyright protected items (such as on-line entertainment and media related items) owned or licensed by e-License Inc. (Japan) in the PRC. e-License Inc. (Japan) is a pioneer in the development of copyright management and digital licensing technologies in Japan and is one of the leading Japan based copyright management companies specialized in the digital media industry to provide international copyright management solution and consultancy services. e-License Inc. (Japan) owns or is licensed with a large amount of copyright protected items (such as on-line entertainment and media related items) which may serve as value-added services or merchandises of mobile devices, internet, fixed line communication devices and global positioning devices. The shareholders of e-License Inc. (Japan) are large and reputable international corporations such as Toyota Tsusho Corporation (豐田通商). e-License Inc. (Japan) intends to develop its business in the PRC by applying its business model currently operating in Japan to the PRC through Beijing e-License, its sole business vehicle in the PRC.

In compliment with the aforesaid business goal of e-License Inc. (Japan) in the PRC, the copyright management and digital licensing technologies developed by and the copyright protected items owned or licensed by e-License Inc. (Japan) will be provided in and distributed into the PRC through the Target Group. The Target Group will provide copyright management solution, digital content licensing solution and distribute copyright protected items (such as on-line entertainment and media related items), which may serve as value-added services or merchandises of mobile devices, internet, fixed line communication devices and global positioning devices, to the telecommunication industry, music and entertainment industry as well as media industry in the PRC.

The Target Group is already in close negotiations with a telecommunication service provider, online or mobile entertainment providers in the PRC for the provision of copyright management solution, digital content licensing solution and copyright protected items.

As at the date of this announcement, the Target Group has not yet commenced operation and it is expected that operation will commence in second half of 2008.

## **BASIS OF THE CONSIDERATION**

The Consideration was agreed after arm's length negotiations after considering: (i) the support including, among others, provision of technologies and expertise being given by e-License Inc. (Japan) to the Target Group on the development of the copyright management and digital content licensing businesses in the PRC; (ii) the significant growth potential of the copyright management and the digital content licensing market in the PRC as stated in the paragraph "REASONS FOR THE SUBSCRIPTION" below; (iii) the leading status of e-License Inc. (Japan) in the copyright management and digital media industries in Japan; (iv) the flexible payment terms of the Subscription which allows the Group to settle the consideration in an extended time frame; and (v) the Directors' belief that the Subscription will provide an additional and stable income source to the Group in the medium term. Hence, the Directors consider that the consideration is fair and reasonable for the acquisition of 8.26% shareholding interest in the Target Group and the terms and conditions of the Subscription to be fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

## **REASONS FOR THE SUBSCRIPTION**

The Group is principally engaged in the information technology business of development and marketing of patented server based technology for its real time on-line communication software platform for the Chinese language and the provision of software related services. The Group is also engaged in the agriculture-related businesses in the PRC.

The Group recorded net profit of approximately HK\$0.7 million for the year ended 31 December 2007 and a cash position of about HK\$48 million as at 31 December 2007.

As stated in the annual report of the Group for the year ended 31 December 2007, 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, such as digital content, remains a promising business to be developed in the Greater China Region. Hence, the Directors have always been active in seeking investment opportunities in the information technology business in the PRC in order to increase the value of the Company.

According to the Ministry of Information of the PRC, there are 548 million mobile phone users in the PRC by the end of 2007, representing an annual growth rate of 18.7%, the mobile phone penetration rate is 41.6%. The internet users in the PRC have reached 210 million by the end of 2007, representing an annual growth rate of 53.3%. According to other researches conducted by the China Internet Network Information Center, approximately 180 million internet users are using the internet for music entertainment purpose.

In view of the above and the increasing emphasis on anti-privacy placed by the PRC Government following the entry into the World Trade Organization in 2001, the Directors are of the view that the provision of legal and copyright protected items in particular, the on-line entertainment and media related items, are in high demand in telecommunication industry, music and entertainment industry as well as media industry in the PRC. Moreover, the related copyright management and digital content licensing solutions are particularly vital to the practitioners of the aforesaid industries. In view of the established leading status of e-License Inc. (Japan) in the digital media industry and the strategic business relationship between the Target Group and e-License Inc. (Japan), the Directors believe that the Target Group is well positioned to become the pioneer in the provision of legal copyright protected on-line entertainment and media related items and the related copyright management and digital content licensing solutions in the PRC. Hence, the Board considers that the copyright management and digital licensing business in the PRC is of significant growth potential and generate high profitability and the engagement of the Group in such business through the Subscription will enable the Group to pursue a new line of information technology business in the PRC and generate an additional income source to the Group in the medium term by way of dividend, which is in the interest of the Shareholders and the Company as a whole.

The acquisition of 8.26% shareholding interest in the Target Group was determined by the Board after taken into consideration of the internal financial resources of the Group.

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

## **GEM LISTING RULES IMPLICATIONS**

The Subscription constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules. A circular containing, among other matters, further details of the Subscription will be despatched to the Shareholders in compliance with the GEM Listing Rules.

## **DEFINITIONS**

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

“Agreement”	the conditional agreement dated 14 April 2008 entered into between the Subscriber and Far Glory in relation to the Subscription and allotment and issue of the Subscription Shares
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours

“Company”	Shen Nong China (Group) Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Subscription and allotment and issue of the Subscription Shares in accordance with the terms and conditions of the Agreement
“Consideration”	the consideration for the Subscription and allotment and issue, of the Subscription Shares, being HK\$20,250,000
“Director(s)”	the director(s), including the independent non-executive directors, of the Company
“Far Glory”	Far Glory Limited, a company incorporated in the British Virgin Islands
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Shares”	ordinary shares of HK\$0.05 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Cheer Plan Limited, a wholly owned subsidiary of the Company
“Subscription”	the subscription of the Subscription Shares by the Subscriber as contemplated under the Agreement
“Subscription Shares”	900 new shares of Far Glory to be subscribed for and allotted and issued pursuant to the Agreement



“Target Group”	Far Glory and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**Shen Nong China (Group) Limited**  
**Pang Hong Tao**  
*Chairman*

Hong Kong, 15 April 2008

*As at the date of this announcement, the executive Directors are Mr. Pang Hong Tao, 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 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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.kanhan.com](http://www.kanhan.com).*