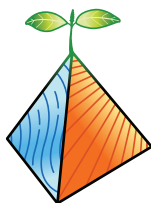


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Shen Nong China (Group) Limited
神農中國（集團）有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8175)

MAJOR TRANSACTION

**ACQUISITION OF 12% SHAREHOLDING INTEREST IN
A COPYRIGHT MANAGEMENT AND DIGITAL LICENSING BUSINESS
AND
RESUMPTION OF TRADING**

Financial adviser to the Company



INCU Corporate Finance Limited

On 5 May 2008 (after trading hour), the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor pursuant to which the Purchaser shall purchase and the Vendor shall sell, the Sale Shares, which represents 12% of the total issued share capital of Far Glory, at a maximum total consideration of HK\$45,000,000 (subject to adjustments).

Upon completion of the Acquisition and with aggregation of the Subscription, the Purchaser will own approximately 20.26% shareholding interest in Far Glory, which in turn owns 50% indirect shareholding interest in Beijing e-License.

The Acquisition, with the aggregation of the Subscription, 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 Acquisition will be despatched to the Shareholders in compliance with the GEM Listing Rules.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 6 May 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 7 May 2008.

On 5 May 2008 (after trading hour), the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor pursuant to which the Purchaser shall purchase and the Vendor shall sell, the Sale Shares at a maximum total consideration of HK\$45,000,000 (subject to adjustments as stated in the paragraph “Consideration” below).

THE AGREEMENT

Date: 5 May 2008 (after trading hour)

Parties:

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

Vendor: Mr. Hsu Tung Chi

Guarantor: Mr. Hsu Tung Sheng

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Vendor and the Guarantor are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules). The Vendor is a merchant and a private investor who has extensive experience in the management, operation and strategic planning in various corporations engaging in the telecommunication, information technology and patent and digital licensing management businesses in the PRC.

The Guarantor has agreed to guarantee in favour of the Purchaser the due and punctual performance of the obligation of the Vendor under the Agreement.

The Guarantor is the elder brother of the Vendor.

Assets to be acquired

The Sale Shares, representing 12% of the total issued share capital of Far Glory.

Consideration

The maximum total consideration for the Sale Shares is HK\$45,000,000, of which HK\$27,000,000 (the “**Basic Consideration**”) will be settled by the Group in the following manner: (i) HK\$5,000,000 shall be payable by the Purchaser, through internal resources of the Group to the Vendor as a deposit within five Business Days from the date of signing of the Agreement; and (ii) HK\$22,000,000 shall be payable by the Purchaser procuring the Company to issue the Convertible Bonds, of which First Convertible Bond in the principal sum of HK\$18,000,000 will be delivered to the Vendor upon Completion whereas Second Convertible Bond in the principal sum of HK\$4,000,000 of the Convertible Bond will be delivered to the Purchaser upon Completion as escrow until the fulfillment of the Average Guaranteed Profit.

The remaining balance of the total consideration for the Sale Shares (excluding the Basic Consideration), being a maximum of HK\$18,000,000 (the “**Balance Consideration**”) shall be payable by the Purchaser to the Vendor in the following manner:

- (a) HK\$5,400,000 by the Purchaser procuring the Company to issue the Extra Convertible Bond provided that the Average Actual Profit is equal to or greater than HK\$18,000,000 but less than HK\$25,000,000. For the avoidance of doubt, if the Target Group fails to achieve the Average Actual Profit of HK\$18,000,000, the Purchaser has no obligation to pay to the Vendor such amount of the Consideration as referred to in this (a); or
- (b) HK\$18,000,000 by the Purchaser procuring the Company to issue the Extra Convertible Bond provided that the Average Actual Profit is not less than HK\$25,000,000. For the avoidance of doubt, if the Target Group fails to achieve the Average Actual Profit of HK\$25,000,000, the Purchaser has no obligation to pay to the Vendor such amount of the Consideration as referred to in this (b).

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 Vendor in respect of the Acquisition having been obtained;
- (b) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Acquisition having been obtained;
- (c) the warranties provided by the Vendor under the Agreement remaining true and accurate in all respects;
- (d) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares and the Extra Conversion Shares; and
- (e) the passing by the Shareholders at the EGM to be convened and held of an ordinary resolution to approve the Agreement and the transaction contemplated thereunder, including but not limited to the allotment and issue of the Conversion Shares and the Extra Conversion Shares to the Vendor.

Conditions (a) and (c) above are waivable by the Purchaser under the Agreement. The Purchaser has no current intention to waive such condition as at the date of this announcement. Save for condition (a) and (c), 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 and the Purchaser.

As at the date of this announcement, the Purchaser beneficially owns approximately 8.26% of the total issued share capital of Far Glory and will own approximately 20.26% of the total issued share capital of Far Glory as enlarged by the Acquisition. The Purchaser has the right to nominate a representative on behalf of the Group to the board of directors of Far Glory.

Upon Completion, Far Glory will be accounted for as the associated company of the Group. As at the date of this announcement, the Group has no present intention to pursue further acquisition of the shareholding interest of Far Glory.

Long-stop date

If all of the conditions are not fulfilled (or as the case may be, waived by the Purchaser) within three months from the date of the Agreement (or such later date as the Purchaser and the Vendor may agree), the Agreement shall cease and terminate and neither party shall have any obligations towards each other.

Profit Guarantee

Under the Agreement, the Vendor irrevocably warrants and the Guarantor irrevocably guarantees to the Purchaser that the average of the audited consolidated net profits after tax and extraordinary or exceptional items of the Target Group for the financial years ending 31 December 2009 and 31 December 2010 will not be less than HK\$15,000,000.

If the Average Actual Profit is equal to or more than HK\$18,000,000 but less than HK\$25,000,000, the Purchaser shall procure the Company to issue the Extra Convertible Bonds of HK\$5,400,000, which is calculated on the same basis of the Consideration (details of which as stated in the paragraph “Basis of the Consideration” below) as follows:

$$B = (18,000,000 - \text{Average Guaranteed Profit}) \times 12\% \times 15$$

If the Average Actual Profit is equal to or more than HK\$25,000,000, the Purchaser shall procure the Company to issue the Extra Convertible Bonds of HK\$18,000,000, which is calculated on the same basis of the Consideration (details of which as stated in the paragraph “Basis of the Consideration” below) as follows:

$$C = (25,000,000 - \text{Average Guaranteed Profit}) \times 12\% \times 15$$

If the Average Actual Profit is less than HK\$15,000,000, then the Vendor shall set off against the payment obligations of the Company under the Second Convertible Bond on a dollar to dollar basis in an amount calculated as follows:

$$A = (\text{Average Guaranteed Profit} - \text{Average Actual Profit}) \times 12\%$$

where A is the amount to be set off in the event there is any shortfall of the Average Guaranteed Profit

- (a) if A is less than the outstanding principal amount of the Second Convertible Bond, the Purchaser shall cancel the Second Bond Certificate and issue to the Vendor a new Second Bond Certificate with a principal amount equivalent to the difference between the outstanding principal amount of the Second Convertible Bond and A;
- (b) if A is equal to the outstanding principal amount of the Second Convertible Bond, the Purchaser shall cancel the Second Convertible Bond and accordingly, the Second Bond Certificate; and
- (c) if A is more than the outstanding principal amount of the Second Convertible Bond, the Purchaser shall cancel the Second Bond Certificate and any shortfall remaining after such set off and cancellation shall be paid by the Vendor to the Purchaser in cash.

Should the Target Group record a loss for the average of the audited consolidated net profits after tax and extraordinary or exceptional items of the Target Group for the financial years ending 31 December 2009 and 31 December 2010, the actual amount of loss will be taken as Average Actual Profit in the formula.

The Company will publish an announcement when the Average Actual Profit, the amount of the Balance Consideration, if any, and the amount and arrangement of the shortfall compensation are ascertained.

TERMS OF CONVERTIBLE BONDS

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

Issuer

The Company

Principal amount

First Convertible Bond – HK\$18,000,000

Second Convertible Bond – HK\$4,000,000

Interest

Each of the Convertible Bonds will carry interest at a rate of 1% per annum, payable quarterly.

Maturity

A fixed term of three years from the date of issue of the respective Convertible Bonds.

Conversion

Pursuant to the Agreement, the First Convertible Bond will be delivered to the Vendor in a principal sum of HK\$18,000,000 upon Completion whereas the Second Convertible Bond in a principal sum of HK\$4,000,000 will be delivered to the Purchaser upon Completion as escrow until the fulfillment of the Average Guaranteed Profit.

The Bondholder may convert the whole or part (in multiples of HK\$1,000,000) of the First Convertible Bond of HK\$18,000,000, which will be delivered to the Vendor upon Completion, into the Conversion Shares at the Conversion Price from the date of issue of the First Convertible Bond up to the maturity date of the First Convertible Bond.

The Bondholder may convert the whole or part (in multiples of HK\$1,000,000) of the Second Convertible Bond of HK\$4,000,000, which will be delivered to the Purchaser upon Completion as escrow until the fulfillment of the Average Guaranteed Profit, into the Conversion Shares at the Conversion Price for the period commencing from (1) the date when the Average Guaranteed Profit has been fulfilled or (2) if there is any shortfall between Average Actual Profit and the Average Guaranteed Profit, the date when the Purchaser is fully compensated by the Vendor for any shortfall pursuant to the Agreement up to the maturity date of the Second Convertible Bond.

Conversion Price

The Conversion Price is HK\$0.18 per Conversion Share subject to 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 38.46% over the closing price of HK\$0.13 per Share as quoted on the Stock Exchange on 5 May 2008, 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 38.04% over the average of the closing prices of approximately HK\$0.1304 per Share for the last five trading days up to and including 5 May 2008; and (iii) a premium of approximately 140% over the net asset value per Share of approximately HK\$0.075 based on the audited consolidated financial statements of the Group as at 31 December 2007.

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 Bonds.

Conversion Shares

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bonds in the aggregate principal amount of HK\$22,000,000 at the Conversion Price by the Bondholder, the Company will issue an aggregate of 122,222,222 Conversion Shares, representing approximately (i) 9.19% of the existing issued share capital of the Company; and (ii) approximately 8.41% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. For further details, please refer to the paragraph "Changes in the shareholding structure" below.

The Conversion Shares will be issued pursuant to the specific mandate to be sought at the EGM.

Early redemption

The Company may, at its discretion, redeem the First Convertible Bond of HK\$18,000,000, which will be delivered to the Vendor upon Completion, in whole or in part in multiples of HK\$1,000,000 at any time prior to the maturity date of the First Convertible Bond.

The Company may, at its discretion, redeem the Second Convertible Bond of HK\$4,000,000, which will be delivered to the Purchaser upon Completion as escrow until the fulfillment of the Average Guaranteed Profit, in whole or in part in multiples of HK\$1,000,000 at any time commencing from (1) the date when the Average Guaranteed Profit has been fulfilled or (2) if there is any shortfall between Average Actual Profit and the Average Guaranteed Profit, the date when the Purchaser is fully compensated by the Vendor for any shortfall(s) pursuant to the Agreement to the maturity date of the Second Convertible Bond.

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.

Transferability

The Convertible Bonds may be transferred or assigned by the Bondholder to any party other than a connected person of the Company. The transferability of the First Convertible Bond will be effective upon delivery of the same to the Vendor on Completion whereas the transferability of the Second Convertible Bond will be effective upon delivery of the same to the Vendor on (1) the date when the Guaranteed Profit has been fulfilled or (2) if there is any shortfall between Average Actual Profit and the Average Guaranteed Profit, the date when the Purchaser is fully compensated by the Vendor for any shortfall pursuant to the Agreement up to the maturity date of the Second Convertible Bond.

Voting rights

The Convertible Bonds 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 Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

TERM OF EXTRA CONVERTIBLE BOND

The terms of the Extra 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

Up to HK\$18,000,000

Interest

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

Maturity

A fixed term of three years from the date of issue of the Extra Convertible Bond.

Conversion

The Bondholder may convert the whole or part (in multiples of HK\$1,000,000) of the principal amount of the Extra Convertible Bond into the Extra Conversion Shares at the Conversion Price for the period commencing from the date of issue of the Extra Convertible Bond up to the maturity date of the Extra Convertible Bond.

Conversion Price

The Conversion Price is HK\$0.18 per Extra Conversion Share. 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 the merchant bank.

The Conversion Price represents (i) a premium of approximately 38.46% over the closing price of HK\$0.13 per Share as quoted on the Stock Exchange on 5 May 2008, 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 38.04% over the average of the closing prices of approximately HK\$0.1304 per Share for the last five trading days up to and including 5 May 2008; and (iii) a premium of approximately 140% over the net asset value per Share of approximately HK\$0.075 based on the audited consolidated financial statements of the Group as at 31 December 2007.

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 Extra Convertible Bond.

Extra Conversion Shares

Assuming there is an immediate exercise in full of the conversion rights attaching to the Extra Convertible Bond in the aggregate principal amount of up to HK\$18,000,000 at the Conversion Price by the Bondholder, the Company will issue an aggregate of up to 100,000,000 Extra Conversion Shares, representing approximately (i) 7.52% of the existing issued share capital of the Company; and (ii) approximately 6.44% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares and the Extra Conversion Shares. For further details, please refer to the paragraph “Changes in the shareholding structure” below.

The Extra Conversion Shares will be issued pursuant to the specific mandate to be sought at the EGM.

Early redemption

The Company will, at its discretion, redeem the Extra Convertible Bond in whole or in part in multiples of HK\$1,000,000 at any time prior to the maturity date of the Extra Convertible Bond.

Ranking

The Extra 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.

Transferability

The Extra Convertible Bond may be transferred or assigned by the Bondholder to any party other than a connected person of the Company.

Voting rights

The Extra Convertible Bond does 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 Extra Convertible Bond. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Extra Conversion Shares.

The Conversion Shares and the Extra Conversion Shares will not be subject to any sale restriction or lock up.

CHANGES IN SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 1,330,375,080 Shares in issue, 48,600,000 outstanding share options and 40,000,000 convertible bonds issued on 6 February 2008. Of the 48,600,000 outstanding share options, 12,300,000 are held by connected persons of the Company. Save for the above, the outstanding share options and all the 40,000,000 convertible bonds are held by third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the following table sets out the shareholding structure of the Company (i) as at the date of this announcement and before Completion; (ii) immediately after full conversion of the Convertible Bonds into Conversion Shares; (iii) immediately after full conversion of the Convertible Bonds and the Extra Convertible Bond into Conversion Shares and Extra Conversion Shares; and (iv) immediately after exercise of 12,300,000 options and full conversion of the Convertible Bonds and the Extra Convertible Bond into the Conversion Shares and the Extra Conversion Shares respectively:

Shareholders	As at the date of this announcement before Completion		Immediately after full conversion of the Convertible Bonds into the Conversion Shares		Immediately after full conversion of the Convertible Bonds and the Extra Convertible Bond into the Conversion Shares and the Extra Conversion Shares		Immediately after exercise of 12,300,000 options and full conversion of the Convertible Bonds and the Extra Convertible Bond into the Conversion Shares and the Extra Conversion Shares respectively	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Manciple Enterprises Limited (Note 1)	299,478,238	22.51	299,478,238	20.62	299,478,238	19.29	299,478,238	19.14
The Vendor	-	-	122,222,222	8.41	222,222,222	14.31	222,222,222	14.20
Directors (Note 2)								
Pang Hong Tao	10,500,000	0.79	10,500,000	0.72	10,500,000	0.68	16,800,000	1.07
Mo Wai Ming, Lawrence	21,385,920	1.61	21,385,920	1.47	21,385,920	1.38	21,385,920	1.37
Au Shui Ming, Anna	22,500,000	1.69	22,500,000	1.55	22,500,000	1.45	28,500,000	1.82
Ma She Shing, Albert	870,000	0.07	870,000	0.06	870,000	0.06	870,000	0.06
sub-total	55,255,920	4.16	55,255,920	3.80	55,255,920	3.57	67,555,920	4.32
Public	975,640,922	73.33	975,640,922	67.17	975,640,922	62.83	975,640,922	62.34
Total	<u>1,330,375,080</u>	<u>100</u>	<u>1,452,597,302</u>	<u>100</u>	<u>1,552,597,302</u>	<u>100</u>	<u>1,564,897,302</u>	<u>100</u>

Note:

1. Manciple Enterprises Limited, a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“Mr. Lau”). Accordingly, Mr. Lau is deemed to be interested in 299,478,238 Shares.
2. Mr. Pang Hong Tao, Mr. Mo Wai Ming, Lawrence and Ms. Au Shui Ming, Anna are executive Directors. Mr. Ma She Shing, Albert is a non-executive Director.

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 Basic Consideration is calculated based on the Average Guarantee Profit times 15 price earnings multiples and equity interests to be acquired in the Target Group, i.e. HK\$15,000,000 x 15 x 12% = HK\$27,000,000 while the Balance Consideration is calculated based on the excess of HK\$25,000,000 over the Average Profit Guarantee of HK\$15,000,000 times 15 price earnings multiples and equity interests to be acquired in the Target Group, i.e. 10,000,000 x 15 x 12% = HK\$18,000,000.

The Consideration was a commercial decision made by the Board with the Vendor and 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. The solutions of copyright management and digital licensing are developed by e-License Japan and such solutions were successfully launched in Japan. Leveraging on such solutions, Beijing e-License will be the pioneer in the PRC to provide copyright management and digital content licensing solutions to the telecommunication industry, music and entertainment industry as well as media industry in the PRC; (ii) the imminent commencement of operation of the Target Group in the second half of 2008; (iii) the potential contracts to be entered into between the Target Group and the 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; (iv) 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 ACQUISITION" below; (v) the leading status of e-License Inc. (Japan) in the copyright management and digital media industries in Japan; (vi) the profit guarantee given by the Vendor as described in the paragraph "Profit Guarantee" above; (vii) the current price earning ratios of companies listed on the Stock Exchange engaging in business similar to Far Glory ranging from about 2.88 to 21.75 times; and (viii) the Directors' belief that the Acquisition, in compliment with the Subscription, will provide an additional and stable income source to the Group in the medium term

by sharing of profit of the Target Group. Hence, the Directors consider that the Consideration is fair and reasonable and the terms and conditions of the Acquisition are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

REASONS FOR THE ACQUISITION

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 Acquisition and, in compliment with 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 was determined by the Board after taken into consideration of the internal financial resources of the Group.

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

GEM LISTING RULES IMPLICATIONS

The Acquisition, with the aggregation of the Subscription, 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 Acquisition will be despatched to the Shareholders in compliance with the GEM Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 6 May 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 7 May 2008.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares on the terms contained in the Agreement
“Agreement”	the conditional agreement dated 5 May 2008 entered into among the Purchaser, the Vendor and the Guarantor in relation to the Acquisition
“Average Actual Profit”	the actual average of the audited consolidated net profits after tax and extraordinary or exceptional items of the Target Group for the financial years ending 31 December 2009 and 31 December 2010
“Average Guaranteed Profit”	the average of the audited consolidated net profits after tax and extraordinary or exceptional items of the Target Group for the financial years ending 31 December 2009 and 31 December 2010 will not be less than HK\$15,000,000
“Board”	the board of Directors
“Bondholder(s)”	holders of the Convertible Bonds or the Extra Convertible Bond

“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 Acquisition in accordance with the terms and conditions of the Agreement
“Consideration”	the consideration for the Acquisition of the Sale Shares, being a maximum of HK\$45,000,000 (subject to adjustments)
“Convertible Bonds”	collectively, the First Convertible Bond and the Second Convertible Bond
“Conversion Price”	the initial conversion price of HK\$0.18 per Conversion Share or as the case may be, per Extra Conversion Share, subject to adjustments, pursuant to the terms of the Convertible Bonds
“Conversion Shares”	Shares to be allotted and issued upon the exercise of the conversion rights in respect of the Convertible Bonds
“Extra Convertible Bond”	the convertible bond to be issued by the Company to the Vendor within 14 days from the date of issue of the certificate to be given by the auditors for the time being of the Target Group certifying that the amount of Average Actual Profit is higher than the amount of Average Guaranteed Profit
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the Agreement and the transactions contemplated thereunder
“Extra Conversion Shares”	Shares to be allotted and issued upon the exercise of the conversion rights in respect of the Extra Convertible Bond
“Far Glory”	Far Glory Limited, a company incorporated in the British Virgin Islands
“First Convertible Bond”	a convertible bond in a principal amount of HK\$18,000,000, to be issued by the Company in favour of the Vendor pursuant to the Agreement

“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
“Guarantor”	Mr. Hsu Tung Sheng
“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
“Purchaser”	Cheer Plan Limited, a wholly owned subsidiary of the Company
“Sale Shares”	1,308 ordinary shares of Far Glory, representing 12% of the total issued share capital of Far Glory
“Second Bond Certificate”	a bond certificate in a principal amount of HK\$4,000,000 to be issued pursuant to the Second Convertible Bond
“Second Convertible Bond”	a convertible bond in a principal amount of HK\$4,000,000 to be issued by the Company in favour of the Vendor pursuant to the Agreement
“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
“Subscription”	the subscription of the 900 new ordinary shares of Far Glory by the Purchaser pursuant to the agreement dated 14 April 2008 and entered into between the Purchaser as subscriber and Far Glory, the details of which has been announced by the Company on 15 April 2008
“Target Group”	Far Glory and its subsidiaries

“Vendor”	Mr. Hsu Tung Chi
“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, 6 May 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.