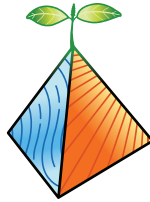


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Shen Nong China (Group) Limited
神農中國(集團)有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8175)

(1) VERY SUBSTANTIAL DISPOSAL

**DISPOSAL OF
SILKY SKY INVESTMENTS LIMITED;**

(2) CHANGE OF COMPANY NAME;

AND

RESUMPTION OF TRADING

(1) VERY SUBSTANTIAL DISPOSAL

On 7 July 2008 (after trading hour), the Group, through its wholly-owned subsidiary, the Vendor, entered into the Agreement with the Purchaser in relation to the disposal of the Sale Share, comprising 100% equity interest in Silky Sky held by the Vendor for a total consideration of HK\$15,000,000.

The Disposal constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules. The Agreement will be subject to Shareholders' approval at the EGM to be convened and held by the Company.

(2) CHANGE OF COMPANY NAME

A special resolution will be proposed at the forthcoming EGM to approve the change of the Company's name from "Shen Nong China (Group) Limited" to "China Digital Licensing (Group) Limited" and upon the name change becoming effective, the new Chinese name "中國數碼版權(集團)有限公司" will be adopted to replace "神農中國(集團)有限公司" for identification purpose only.

GENERAL

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

A circular containing, among other things, further details of the Agreement and the transactions contemplated thereunder, together with the notice of the EGM will be despatched to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 8 July 2008 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 9 July 2008.

(1) VERY SUBSTANTIAL DISPOSAL

THE AGREEMENT

Date: 7 July 2008 (after trading hour)

Parties: (1) Vendor : Rise Assets Limited
(2) Purchaser : Mr. Zeng Xiang Yang

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser is a third party independent of and not connected with the Company and any of its connected persons as defined under the GEM Listing Rules. The Purchaser is a merchant who has extensive experience in conducting businesses in the PRC.

Assets to be disposed of

The Sale Share, representing 100% of the equity interest of Silky Sky.

Consideration

The total consideration for the Disposal is HK\$15,000,000. The Consideration will be satisfied in the following manners:

1. HK\$1,500,000 will be payable by the Purchaser to the Vendor within 10 Business Days from the date of the Agreement as a deposit and will be set off as part of the consideration at Completion;

2. HK\$6,500,000 will be payable by the Purchaser in cash to the Vendor at Completion; and
3. HK\$7,000,000 will be payable by the Purchaser by issuing the Promissory Note to the Vendor at Completion.

The Consideration was arrived at after arm's length negotiations between the parties to the Agreement with reference to (i) the operation and business prospect of the Silky Sky Group has not been developing as expected as mentioned in the paragraph "Reasons for the Disposal" below; (ii) failure of the Silky Sky Group to meet the profit guarantee for the year ended 31 December 2007; (iii) the net loss position of the Silky Sky Group of approximately HK\$344,000 for the three months ended 31 March 2008; (iv) the unaudited consolidated net asset value of the Silky Sky Group as at 31 March 2008 attributable to the Company of approximately HK\$3,546,000, of which the Consideration represents a premium of approximately 423%; and (v) the commercial benefits to be accrued to the Group from the Disposal, including but not limited to better allocation of the resources of the Group to the other investment opportunities, in particular, the information technology businesses.

Based on the reasons above, the Board considers the Consideration to be fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Conditions

The Agreement is conditional upon the passing by the Shareholders at the EGM an ordinary resolution to approve the Disposal.

Completion

Completion will take place within three Business Days after satisfaction of the above condition or on such other date as may be agreed between the parties.

Before Completion, Silky Sky is wholly-owned by the Company. After Completion, Silky Sky will cease to be a wholly-owned subsidiary of the Company, and the Company will no longer have any interest in the Silky Sky Group.

Upon Completion, the Sale Share will be pledged to the Vendor as security for repayment of principal sum under the Promissory Note.

TERMS OF THE PROMISSORY NOTE

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

Parties

The Purchaser as an issuer and the Vendor as payee.

Principal amount

HK\$7,000,000

Interest

The Promissory Note will not carry any interest.

Maturity

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

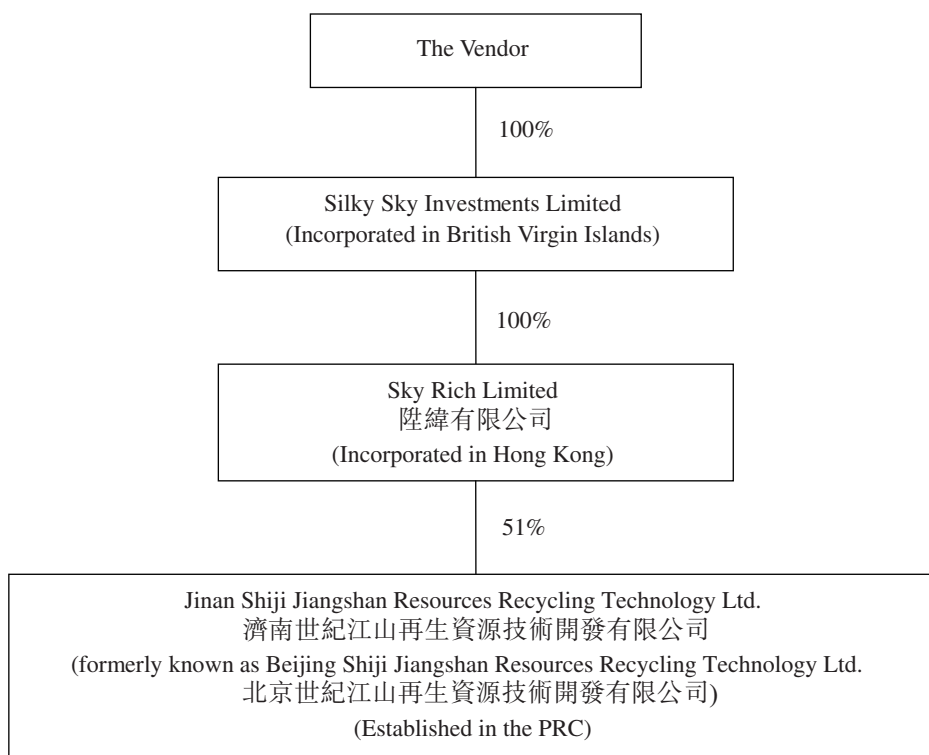
Early repayment

The Purchaser could, at its option, repay the Promissory Note in whole or in part in multiples of HK\$1 million. There will not be any premium over or discount to the payment obligations under the Promissory Note for any early repayment.

Assignment

The Promissory Note may be transferred or assigned by the Vendor to any person.

SHAREHOLDING STRUCTURE OF RELEVANT ENTITIES



Save for the change of the ultimate beneficial owner from the Vendor to the Purchaser, there will be no change in connection with the shareholding as well as group structures of the Silky Sky Group upon Completion.

INFORMATION OF THE SILKY SKY GROUP

As at the date of this announcement, Silky Sky is a company incorporated in BVI and is beneficially wholly owned by the Vendor. The Silky Sky Group owns 51% shareholding interest in Jinan Shiji Jiangshan Resources Recycling Technology Ltd (濟南世紀江山再生資源技術開發有限公司), which is principally engaged in the production and distribution of organic fertilizer in the PRC.

According to the audited consolidated financial statements of Silky Sky Group for the year ended 31 December 2007, there was turnover of approximately HK\$14,308,000, and the net profit before and after taxation and extraordinary items and minority interest were approximately HK\$8,231,000 and HK\$2,436,000 respectively. As at 31 December 2007, the net asset value of the Silky Sky Group attributable to the Company was approximately HK\$3,034,000.

According to the unaudited consolidated financial statements of Silky Sky Group for the three months ended 31 March 2008, there was turnover of approximately HK\$423,000, and the net loss before and after taxation and extraordinary items was approximately HK\$180,000 and HK\$344,000 respectively. As at 31 March 2008, the net asset value of the Silky Sky Group attributable to the Company was approximately HK\$3,546,000.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the information technology businesses. It is engaged in the 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 provision of development and provision of on-line education programs, through its self-developed websites to provide languages (English and Chinese) and mathematics learning programs to students in secondary and primary schools in Hong Kong and Macau. The Group has invested in copyright management and digital licensing business. The Group is also engaged in the agriculture-related businesses in the PRC.

The Group acquired the organic fertilizer business in May 2007 with the view that the organic fertilizer production business is in a growing trend with immense potential. The Directors then considered that the organic fertilizer production business is a fast growing industry in the PRC leveraged on the development of the agricultural industry in the PRC and the increasing emphasis of environmental protection by the PRC Government.

The development of the Group's organic fertilizer business has not been growing as the Group expected. As stated in the announcement of the Company dated 27 March 2008, in accordance with the Regulations of Fertilizer Registration Management (肥料登記管理辦法), Temporary 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 Silky Sky Group was not able to obtain such certificate until November 2007. Hence, the production schedule of organic fertilizer business was delayed. The actual audited consolidated net profit after taxation and extraordinary or exceptional items of the Silky Sky Group did not meet the guaranteed profit of HK\$5 million for the year ended 31 December 2007. Accordingly, the Group received compensation of approximately HK\$2,563,900 from Mr. Yang Pei Gen (“Mr. Yang”), being the beneficial owner of the Silky Sky Group prior to the acquisition of the organic fertilizer business by the Group in May 2007, for the failure of the Silky Sky Group to meet such profit guarantee. Mr. Yang was the executive Director and chief executive officer of the Company. He was in charge of the Group’s organic fertilizer business. Mr. Yang resigned from the aforesaid roles with effect from 3 April 2008, as stated in the announcement of the Company dated 3 April 2008.

During the period from mid-January to late February 2008, there was a snowstorm, one of the most severe in the past 50 years, occurred in the PRC. According to the research and analysis of the impact of the snowstorm from www.ssn.com.tw (兩岸經貿服務網 – 大陸雪災之影響分析), more than 178 million acreage cultivated land was hit by the natural adversity and the loss on agricultural and related products amounted to more than RMB30 billion.

Such snowstorm has been significantly affecting the Group’s organic fertilizer business. Net loss for the three months ended 31 March 2008 of approximately HK\$344,000 was recorded for the Silky Sky Group.

An earthquake was occurred in Sichuan Province, the PRC in May 2008. According to the press release of the Food and Agriculture Organization of the United Nations (聯合國糧農組織), as a result of such earthquake, more than 500 thousand acreage cultivated land was hit by the earthquake and the loss on agricultural and related products amounted to more than RMB6 billion.

The Board is of the view that the aforesaid snowstorm and earthquake occurred in the PRC will, in short to medium terms, affect the growth and development of the organic fertilizer business. Whilst the snowstorm will continue to affect the Group’s organic fertilizer, of which such impact has already reflected in the financial result of the business for the first quarter of 2008, the impact of the earthquake on the organic fertilizer business will be equally detrimental. Accordingly, the realization of the profitability potential of the Silky Sky Group will be significantly reduced in short and medium terms.

The Board anticipates that in an effort to re-direct the development of the organic fertilizer business back on the right track as initially expected, extra financial resources might also be required for the promotion and marketing of the organic fertilizer business in order to acquire further market share and boost its sale of the organic fertilizer.

The Board is of the opinion that the Disposal provides a timely exit for the Group from the agriculture-related businesses in the PRC, which is expected to be affected by the aforesaid snowstorm and earthquake occurred in the PRC as a whole. The Group will then be able to focus on and direct all its financial and human resources to its information technology businesses, which is of immense growth potential as a result of the growing economy and living standard of the people in the PRC as stated in the annual report of the Group for the year ended 31 December 2007.

The Board is also of the view that the Consideration is cash in nature (settled by cash and Promissory Note), and will all be gradually available in the second half of this year and will be able to utilize for future investments, in particular, the information technology businesses.

In view of the above, the Directors (including independent non-executive Directors) are of the opinion that the terms of the Agreement are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that, upon Completion, the Group may, subject to the review and confirmation by the independent accountants, record a loss on the Disposal of approximately HK\$38,448,000 which is based on the difference between (1) the consideration of HK\$15,000,000 and the aggregate of (2) approximately HK\$2,241,000 (being the unaudited net assets of the Silky Sky Group attributable to the Company as at 31 March 2008 of approximately HK\$3,546,000 less the exchange reserve of approximately HK\$1,305,000) and (3) goodwill arisen from the acquisition of Silky Sky Group of approximately HK\$51,207,000. The final amount of the actual gain or loss as a result of the Disposal will be determined as at the completion of the Disposal.

In view of the fact that (i) the organic fertilizer business has not been developing as expected; (ii) the Disposal serves as a timely exit for the Group from such business and will be able to focus on the information technology businesses which is of immense potential in the PRC; and (iii) the Consideration represents a premium of approximately 423% over the unaudited consolidated net asset value of the Silky Sky Group as at 31 March 2008 attributable to the Company of approximately HK\$3,546,000; and (iv) the cash nature of the Consideration, the Board is of the opinion that it is justifiable for the Group to dispose the organic fertilizer business at the aforesaid loss.

Net proceeds of approximately HK\$14,000,000 will be received by the Group as a result of the Disposal. Of such balance, the Board intends to apply (i) approximately HK\$7 million for the repayment of promissory note which was incurred in the acquisition of 51% shareholding interest in the e-learning business as stated in the announcement of the Company dated 3 June 2008; (ii) approximately HK\$6 million for the future investments opportunities and as at the date of this announcement, no specific investment target was identified by the Group; and (iii) the balance of approximately HK\$1 million for general working capital purpose.

LISTING RULES IMPLICATION

The Disposal constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules. The Agreement will be subject to Shareholders' approval at the EGM to be convened and held by the Company.

(2) CHANGE OF COMPANY NAME

The Board proposes to change the name of the Company from “Shen Nong China (Group) Limited” to “China Digital Licensing (Group) Limited” and upon the name change becoming effective, the new Chinese name “中國數碼版權(集團)有限公司” will be adopted to replace “神農中國(集團)有限公司” for identification purpose only.

The Group is principally engaged in the information technology businesses. It is engaged in the 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 provision of development and provision of on-line education programs, through its self-developed websites to provide languages (English and Chinese) and mathematics learning programs to students in secondary and primary schools in Hong Kong and Macau. The Group has invested in copyright management and digital licensing business. As stated in this announcement, the Company proposes to dispose the business of production and distribution of the organic fertilizer.

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

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

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

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

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

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

GENERAL

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

A circular containing, among other things, further details of the Agreement and the transactions contemplated thereunder and the Change of Company Name, together with the notice of the EGM will be despatched to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 8 July 2008 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 9 July 2008.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 7 July 2008 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are open in Hong Kong for general banking business
“BVI”	the British Virgin Islands
“Change of Company name”	the proposed change of the name of the Company from “Shen Nong China (Group) Limited” to “China Digital Licensing (Group) Limited” and upon the name change becoming effective, the new Chinese name “中國數碼版權(集團)有限公司” will be adopted to replace “神農中國(集團)有限公司” for identification purpose only

“Company”	Shen Nong China (Group) Limited, a company incorporated in Cayman Islands with limited liability and whose issued shares are listed on GEM
“Completion”	the completion of the Disposal in accordance with the terms and conditions of the Agreement
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Disposal
“Disposal”	the proposed disposal of the Sale Share pursuant to the Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to approve, among other things, the Agreement and the transactions contemplated thereunder and the Change of Company Name
“GEM”	the Growth Enterprises 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
“Promissory Note”	the promissory note in a principal sum of HK\$7,000,000
“Purchaser”	Mr. Zeng Xiang Yang
“Sale Share”	1 ordinary share of Silky Sky, representing 100% of the equity interest in Silky Sky
“Share(s)”	fully paid ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares of the Company

“Silky Sky”	Silky Sky Limited, a company incorporated in BVI with limited liability
“Silky Sky Group”	Silky Sky and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Rise Assets Limited, a wholly-owned subsidiary of the Company incorporated in BVI with limited liability
“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, 8 July 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.