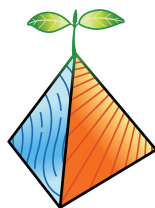

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shen Nong China (Group) Limited**, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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 DISPOSAL
DISPOSAL OF
PROUD DRAGON LIMITED**

A notice convening an extraordinary general meeting of the Company to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong at 11:00 a.m. on Wednesday, 21 May 2008 is set out on pages 38 and 39 of this circular.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar in Hong Kong, Tricor Standard Limited, of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

5 May 2008

CHARACTERISTICS OF GEM

GEM 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 the 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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 21 April 2008 entered into between the Vendor and the Purchaser in relation to the Disposal
“Announcement”	the announcement of the Company dated 22 April 2008 in respect of, among other matters, 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
“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 Shares 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
“First Promissory Note”	the promissory note in a principal sum of HK\$10,000,000
“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

DEFINITIONS

“HK Subsidiary”	Jetrise Development Limited, a company incorporated in Hong Kong with limited liability and is wholly and beneficially owned by Proud Dragon
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	2 May 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Proud Dragon”	Proud Dragon Limited, a company incorporated in BVI with limited liability
“Proud Dragon Group”	Proud Dragon and its subsidiaries, including the HK Subsidiary and Zhong Tian Water Supply
“Purchaser”	Lao Kuai Hong
“Sale Shares”	476 ordinary shares of Proud Dragon, representing 100% of the equity interest in Proud Dragon
“Second Promissory Note”	the promissory note in a principal sum of HK\$20,500,000
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“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
“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

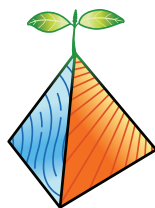
DEFINITIONS

“Zhong Tian Water Supply”	Dang Tu Xian Zhong Tian Water Supply Limited (當塗縣中天供水有限公司), a company established in the PRC with limited liability and is owned as to 70% of its equity interest indirectly by Proud Dragon through the HK Subsidiary
“RMB”	Renminbi, the lawful currency of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

For the purpose of this circular, unless otherwise indicated, conversion of RMB to HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$0.92. This exchange rate is adopted for the purpose of illustration only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate at all.

the English translations of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Pang Hong Tao
Mr. Mo Wai Ming, Lawrence
Ms. Au Shui Ming, Anna

Non-executive Director:

Mr. Ma She Shing, Albert

Independent non-executive Directors:

Mr. Hsu William Shiu Foo
Mr. Lee Kun Hung
Mr. Kwok Chi Sun, Vincent

Registered office:

Caledonian Bank & Trust Limited
Caledonian House
P.O. Box 1043
George Town
Grand Cayman
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit 1601, Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central
Hong Kong

5 May 2008

To the Shareholders

Dear Sir or Madam,

MAJOR DISPOSAL DISPOSAL OF PROUD DRAGON LIMITED

INTRODUCTION

Reference is made to the Announcement in which the Board announced that the Vendor has entered into the Agreement with the Purchaser, in relation to the disposal of the Sale Shares, comprising 100% equity interest in Proud Dragon held by the Vendor for a total consideration of HK\$50,000,000.

LETTER FROM THE BOARD

The Disposal constitutes a major 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. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has material interests in the Disposal and no Shareholder will abstain from voting at the EGM on the resolution approving the Disposal.

The purpose of this circular is to provide you with, among other matters, further details of the Agreement and the transactions contemplated thereunder together with the notice convening the EGM.

THE AGREEMENT

Date: 21 April 2008 (after trading hour)

Parties: (1) Vendor : Rise Assets Limited

(2) Purchaser : Mr. Lao Kuai Hong

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.

Assets to be disposed of

The Sale Shares, representing 100% of the equity interest of Proud Dragon.

Consideration

The total consideration for the Disposal is HK\$50,000,000. The Consideration will be satisfied in the following manners:

1. HK\$13,500,000 was paid by the Purchaser to the Vendor within 5 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\$6,000,000 will be payable by the Purchaser in cash to the Vendor at Completion;
3. HK\$10,000,000 will be payable by the Purchaser by issuing the First Promissory Note to the Vendor at Completion; and
4. HK\$20,500,000 will be payable by the Purchaser by issuing the Second Promissory Note to the Vendor at Completion.

LETTER FROM THE BOARD

The Consideration was arrived at after arm's length negotiations between the parties to the Agreement with reference to (i) the current status of the operation of the Proud Dragon Group as mentioned in the paragraph "Reasons for the Disposal" below; (ii) the net loss position of the Proud Dragon Group of approximately HK\$800,000 for the two months ended 29 February 2008; (iii) the unaudited consolidated net asset value of the Proud Dragon Group as at 29 February 2008 of approximately HK\$20,448,000; (iv) the consideration of HK\$47,600,000 paid by the Vendor at the time of its acquisition of the Proud Dragon Group in February 2008; 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, which are of better earning potential.

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

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

TERMS OF FIRST PROMISSORY NOTE

The First 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\$10,000,000

LETTER FROM THE BOARD

Interest

The First Promissory Note will not carry any interest.

Maturity

A fixed term of one month from the date of issue of the First Promissory Note.

Early repayment

The Purchaser could, at its option, repay the First 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 First Promissory Note for any early repayment.

Assignment

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

TERMS OF SECOND PROMISSORY NOTE

The Second 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\$20,500,000

Interest

The Second Promissory Note will not carry any interest.

Maturity

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

Early repayment

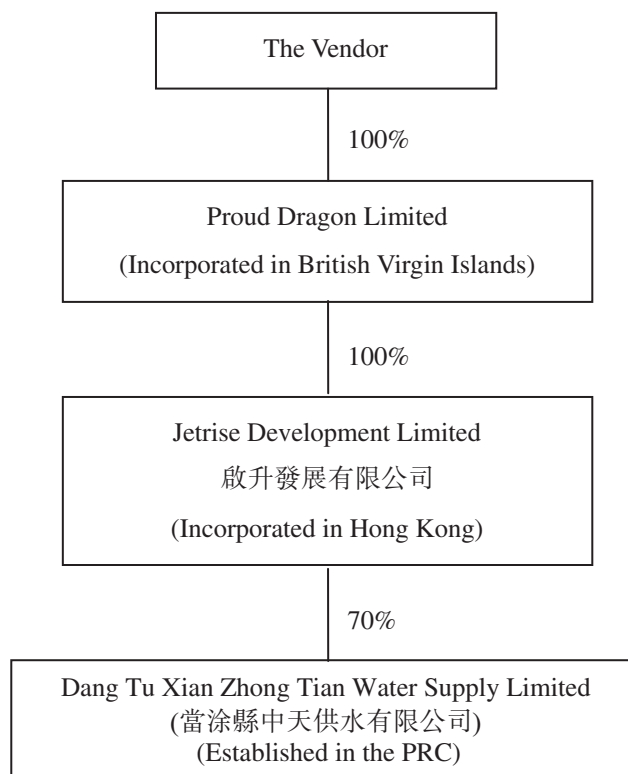
The Purchaser could, at its option, repay the Second Promissory Note in whole or in part in multiples of HK\$1 million. There will not be any premium over or discount to the payment obligations under the Second Promissory Note for any early repayment.

LETTER FROM THE BOARD

Assignment

The Second 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 Proud Dragon Group upon Completion.

INFORMATION ON THE PROUD DRAGON GROUP

Proud Dragon is a company incorporated in BVI and is beneficially wholly owned by the Vendor. The Proud Dragon Group is principally engaged in the management of water plants and the provision of water supply service in the rural areas of the agricultural province, Anhui (安徽省) in the PRC. Currently, Proud Dragon Group operates three water plants in Maanshan City (馬鞍山市), Anhui Province (安徽省).

According to the unaudited consolidated financial statements of Proud Dragon for the period from 30 August 2007, being 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\$22,000. As at 31 December 2007, the net liability value of the Proud Dragon was approximately HK\$20,000.

LETTER FROM THE BOARD

HK Subsidiary is an investment holding company. According to the unaudited financial statements of the HK Subsidiary for the period from 4 July 2007, being 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\$15,000. As at 31 December 2007, the net liability value of the HK Subsidiary was approximately HK\$15,000.

According to the unaudited financial statements of Zhong Tian Water Supply for the year ended 31 December 2007, the turnover was approximately HK\$220,000, and the net loss before and after taxation and extraordinary items was approximately HK\$2,043,000. As at 31 December 2007, the net asset value of the Zhong Tian Water Supply was approximately HK\$3,298,000.

According to the audited financial statements of Zhong Tian Water Supply for the year ended 31 December 2006, the turnover was approximately RMB1,395,000, and the net loss before and after taxation and extraordinary items was approximately RMB1,838,000. As at 31 December 2006, the net asset value of the Zhong Tian Water Supply was approximately RMB4,861,000.

According to the unaudited consolidated financial statements of the Proud Dragon Group for the two months ended 29 February 2008, the turnover was approximately HK\$54,000, and the net loss before and after taxation and extraordinary items was approximately HK\$800,000. As at 29 February 2008, the net asset value of the Proud Dragon Group was approximately HK\$20,448,000.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the development and marketing of patented server based technology for its real time on-line communication software platform for Chinese language and the provision of software related services. The Group is also engaged in the agriculture-related businesses in the PRC. As stated in the announcement of the Company dated 15 April 2008, the Group proposed to subscribe 8.26% interest in a copyright management and digital licensing business and such subscription was completed on 21 April 2008.

As stated in the announcement of the Company on 2 November 2007, the Group entered into the agreement in relation to the acquisition of the Proud Dragon Group and such acquisition was completed on 6 February 2008. The principal activity of the Proud Dragon Group is the provision of water supply service in the rural areas of Maanshan City (馬鞍山市), Anhui Province (安徽省). The Proud Dragon Group operates three water plants in such rural areas. It was then expected that all the three water supply plants will be in full operation by the first half of 2008.

During the period from mid-January to late February 2008, there was a severe snow storm, one of the most severe in the past 50 years, occurred in the PRC. Anhui Province (安徽省) was one of the provinces on which such severe storm has imposed detrimental effect. As a result, the Board anticipates that such severe snow storm will significantly delay the construction of the establishments of the water plants. It is now expected that the water plants of the Proud Dragon Group will not be in full operation as initially scheduled in the first half of 2008. Accordingly, the realization of the profitability potential of the Proud Dragon Group will be significantly reduced in short and medium

LETTER FROM THE BOARD

terms. The Board anticipates that extra financial resources might also be required for the restoration of the water plants to its normal operation and the delay in the construction of the establishments of the water plants due to such severe snow storm.

In view of the fact that: (i) the Consideration represents a premium over the consideration of HK\$47,600,000 paid by the Vendor at the time of its acquisition of the Proud Dragon Group in February 2008 and a financial gain of approximately HK\$2.9 million will be generated from the Disposal as stated in the paragraph “Financial effect of the Disposal” below; (ii) such financial gain represents an instant return on the initial acquisition of the Proud Dragon Group which was entered into and subsequently completed in November 2007 and February 2008 respectively; (iii) the Disposal will be able to release the Group from any future financial commitments on restoration and construction of water plants as mentioned above; (iv) the Consideration will be settled by cash and promissory notes; and (v) as stated in the paragraph “Financial effect of the Disposal” below, part of the Consideration will be applied on the full repayments of the convertible bond and promissory note in relation to the initial acquisition of the Proud Dragon Group and thus the gearing position of the Group will be reduced, the Board considers that the Disposal provides a good opportunity for the Company to realize its investment in Proud Dragon Group given the present situation and any future financial commitments of the Group in connection with the operation of the Proud Dragon Group will be released. Accordingly, financial resources of the Group will be enhanced and better allocated to investment opportunities which will be of higher profitability to the Group and Shareholders as a whole.

The Directors (including independent non-executive Directors) are of the view 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 gain on the Disposal of approximately HK\$2,960,000 which is based on the difference between (1) the consideration of HK\$50,000,000 and the aggregate of (2) the Group’s unaudited net assets of Proud Dragon Group as at 29 February 2008 of approximately HK\$15,220,000 and (3) goodwill arisen from the acquisition of Proud Dragon Group of approximately HK\$31,820,000. 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.

Net proceeds of approximately HK\$49,000,000 will be received by the Group as result of the Disposal. Of such balance, the Board intends to apply (i) approximately HK\$25.6 million for the full repayments of the convertible bond and promissory note in relation to the initial acquisition of the Proud Dragon Group in November 2007; (ii) approximately HK\$15.3 million for the settlement of the outstanding balance of consideration in relation to the acquisition of the copyright management and the digital licensing business as stated in the announcement of the Company dated 15 April 2008 and (iii) approximately HK\$7 million for future investments opportunities and as at the Latest Practicable Date, no specific investment target was identified by the Group; and (iv) the balance of approximately HK\$1.1 million for general working capital purpose.

LETTER FROM THE BOARD

EGM

The Disposal constitutes a major disposal on the part of the Company under the GEM Listing Rules. The Agreement will be subject to Shareholders' approval at the EGM.

A notice convening the EGM to be held at Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Wednesday, 21 May 2008 at 11:00 a.m. is set out on pages 38 and 39 in this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch registrar in Hong Kong, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

In accordance with the Articles of Association of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the Chairman of the meeting; or
- (b) by at least 2 Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Board considers that the Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices of this circular.

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

1. FINANCIAL AND TRADING PROSPECT

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

Information technology business

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.

Investment in copyright management and digital licensing business

In an effort to further develop the information technology business of the Group in the PRC, on 14 April 2008, Cheer Plan Limited, a wholly owned subsidiary of the Company, as subscriber, enter into a subscription agreement with Far Glory Limited, pursuant to the subscription agreement, Cheer Plan shall subscribe and Far Glory Limited shall allot and issue, the 900 shares of Far Glory Limited (representing approximately 8.26% of the entire issued share capital of Far Glory Limited as enlarged by the allotment and issue of the 900 new shares) at a total consideration of HK\$20,250,000, the Group has paid HK\$5,000,000 to Far Glory Limited as part of the consideration, and the remaining consideration of HK\$15,250,000 shall be settled at the request of Far Glory Limited. The subscription was completed on 21 April 2008.

Far Glory Limited and its subsidiary 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.

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.

Organic fertilizer

The Directors consider that the entering into the organic fertilizer business represents a good opportunity for the Group to enter into the agricultural industry in the PRC.

2. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 March 2008, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding borrowings of approximately HK\$16,918,000, details of which are set out below:

	<i>HK\$'000</i>
Financial assistance from government (unsecured)	1,295
Promissory notes	<u>15,623</u>
	<u><u>16,918</u></u>

As at 31 March 2008, the Group had outstanding borrowings and debts of other loan of approximately HK\$1,295,000 due to HKSAR Government. The Innovation and Technology Fund (“ITF”) of the HKSAR Government has provided financial assistance to the Group to assist in a specific product development. The funding is unsecured, non-interest bearing and repayable to ITF when revenue is generated from the specific product.

The Group issued a promissory note with face amount HK\$15,600,000 which is interest bearing at 1% per annum and matures on 5 February 2011. As at 31 March 2008, the Group had outstanding promissory note of approximately HK\$15,623,000 of which a total of approximately HK\$23,000 was the accrued interest.

Commitments

As at 31 March 2008, the Group had operating lease commitments of approximately HK\$430,000.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 March 2008.

The Directors are not aware of any material changes in the financial position of the Group since 31 March 2008, the date to which the indebtedness statement is made.

3. WORKING CAPITAL

After due and careful consideration, the Directors are of the opinion that, taking into consideration the financial resources available to the Group including the Group's internal financial resources and the net proceeds will be received by the Group as a result of the Disposal, in the absence of unforeseen circumstances, the Group has sufficient working capital for the Group's present requirements, that is for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material change in the financial or trading position of the Group since 31 December 2007, being the date up to which the latest published audited financial statements of the Group were made up.

**GREATER CHINA APPRAISAL LIMITED**

漢華評值有限公司

2703 Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

5 May 2008

The Directors
Shen Nong China (Group) Limited
Unit 1601, Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central
Hong Kong

Dear Sirs,

In accordance with the instructions from Shen Nong China (Group) Limited (“the Company”) to value the property interests of Dangtu Xian Zhongtian Water Supply Company (“Zhong Tian Water Supply”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the market values of such properties as at 15 April 2008 (referred to as the “valuation date”).

It is our understanding that this valuation is for disposal purpose.

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of properties and the limiting conditions.

BASIS OF VALUATION

The valuation of such properties is our opinion of the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

VALUATION METHODOLOGY

Due to the nature of buildings and structures constructed, there is no readily identifiable market comparable to them, we have applied the cost method of valuation in assessing the property. It is a method of using current replacement costs to arrive at the value to the business in occupation of the property as existing at the date of valuation.

This method of valuation, cost method, is based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

The cost method generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the properties on the open market in their existing states without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the properties.

Continued use assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued use does not represent the amount that might be realized from piecemeal disposition of the property on the open market.

We have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected thereon have been granted. Also, we have assumed that all buildings and structures fall within the site are held by the owner or permitted to be occupied by the owner.

In the course of valuation, we have assumed that all the properties are currently held by Zhong Tian Water Supply, which have the rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the interests within their respective terms of land use rights granted by the government without the need to seek further approval from and paying additional premium to the government.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the appraisal report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the site held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other special assumptions of each property, if any, have been stated out in the footnotes of the valuation certificate for the respective properties.

TITLESHP INVESTIGATION

For the properties held by Zhong Tian Water Supply in the PRC, we have been provided with copy of land use documents. However, due to the current registration system of the PRC, no investigations have been made for the legal title or any material liabilities attached to the property.

In the course of our valuation, we have relied upon the legal opinions as stated in the title report given by Fujian Minjiang Law Firm (the “PRC Lawyer”) in relation to the legal title to the properties located in the PRC under valuation.

All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the properties set out in this report.

LIMITING CONDITIONS

We have not carried out detailed site measurements to verify the correctness of the land or building areas in respect of the relevant properties but have assumed that the areas shown on the legal documents provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the properties included in the attached valuation certificates. However, no structural survey has been made and we are therefore unable to report as to whether the properties is free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for any property development. No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas or other subsurface mineral use rights or conditions investigated.

We do not investigate any industrial safety, environmental and health related regulations in association with any particular manufacturing process of the Zhong Tian Water Supply. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with government legislation and guidance.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided and have accepted advice given to us by Zhong Tian Water Supply on such matters as planning approvals, statutory notices, easements, tenure, occupation, lettings, construction costs, rentals, site and floor areas and in the identification of those properties in which Zhong Tian Water Supply has valid interests. Floor areas of the property stated herein are ascertained by us by scaling off the registered floor plans of the subject development.

We have had no reason to doubt the truth and accuracy of the information provided to us by Zhong Tian Water Supply. We were also advised by the Company or Zhong Tian Water Supply that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that all the properties are free of encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Since the property is located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While the valuer has exercised his professional judgment in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

OPINION OF VALUE

Valuation figures of the properties held by Zhong Tian Water Supply are shown in the attached summary of valuation and their respective valuation certificates.

REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited including but not limited to the provisions of Chapter 8.

In valuing the properties, we have complied with the requirements contained in the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and effective from 1 January 2005.

All amounts are denominated in Chinese Renminbi.

We enclose herewith the summary of valuation and valuation certificates.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
K.K. Ip *BLE LLD*
Chartered Valuation Surveyor
Registered Professional Surveyor
Managing Director

Note: Mr. K.K. Ip, a Chartered Valuation Surveyor and a Registered Professional Surveyor, has substantial experience in valuation of properties in the PRC since 1992.

SUMMARY OF VALUATION

Property held by Zhong Tian Water Supply in the PRC

No.	Property	Market value in existing state as at 15 April 2008 (RMB)
1.	Land, buildings and structures Dagongwei Zhongxin Water Plant Lin Cun Shiqiao Town Dangtu County Ma'anshan Anhui Province The PRC	No commercial value
2.	Land and buildings Water Source Station Sanxing Cun Huangchi Town Dangtu County Ma'anshan Anhui Province The PRC	No commercial value
3.	Land, buildings and structures Huyang Water Plant Dongwanghou Huyang County Dangtu Xian Ma'anshan Anhui Province The PRC	No commercial value
4.	Land, buildings and structures Niandou Water Plant Gongyuan Cun Niandou County Dangtu Xian Ma'anshan Anhui Province The PRC	No commercial value
Grand Total:		<u>No commercial value</u>

VALUATION CERTIFICATE

Property held by Zhong Tian Water Supply in the PRC

No.	Property	Description	Particulars of occupancy	Market value in existing state as at 15 April 2008 (RMB)
1.	Land, buildings and structures Dagongwei Zhongxin Water Plant Lin Cun Shiqiao Town Dangtu County Ma'anshan Anhui Province The PRC	<p>The property comprises a parcel of land ("the Land"), 7 buildings (the "Buildings") and various structures erected on the Land. The Buildings were completed in 2007.</p> <p>The land area of the Land is approximately 38,000 square metres and the total gross floor area ("GFA") of the buildings is approximately 5,215 square metres. Detailed breakdown is as follows:</p>	The property is currently occupied by Zhong Tian Water Supply as a water supply plant.	No commercial value (see note v)

Buildings	No. of Blocks	No. of Storey	GFA (sq.m.)
Office	1	4	1,253
Dormitory	2	3	2,496
Pump room	2	1-2	1,056
Power room	1	1	131
Chemical room	1	1	279
Total	7		<u>5,215</u>

The various structures comprise water tanks, filtration tanks, precipitation tanks, internal road, boundary walls, greenery and etc.

The property is held under a land lease for a term of 31 years from 14 March 2006 to 13 March 2037 at a total rent of RMB570,000 for water plant purpose.

Notes:

- (i) Zhong Tian Water Supply has obtained the operating rights of the water supply business in Shiqiao Area under a franchise agreement entered into between the People's Government of Shiqiao Town of Dangtu County ("Party A"), Water Resources Bureau of Dangtu County ("Party B") and Zhong Tian Water Supply ("Party C") dated 14 March 2006.
- (ii) According to a land lease entered into between the People's Government of Shiqiao Town of Dangtu County and Zhong Tian Water Supply dated 18 April 2007, the Land was agreed to be leased to Zhong Tian Water Supply with a term of 31 years from 14 March 2006 to 13 March 2037 at a total rent of RMB570,000 for water plant purpose.
- (iii) The Buildings were built by Zhong Tian Water Supply on the Land according to the franchise agreement mentioned in (i). As advised by Zhong Tian Water Supply, no further approvals are required.
- (iv) Opinions of the PRC Lawyer are summarized as follows:
 - (a) According to a land lease (the "Lease") entered into between the People's Government of Shiqiao Town of Dangtu County and Zhongtian Water Supply dated 18 April 2007, the Land (with land area of 38,000 square metres) was agreed to be leased to Zhongtian Water Supply with a term of 31 years from 14 March 2006 to 13 March 2037 for water plant purpose.
 - (b) According to the relevant PRC laws, the maximum term of lease is 20 years. Therefore, the lease term of the Land is 20 years though it appears to be 31 years on the Lease. However, the Lease can be extended upon expiry after 20 years.
 - (c) Zhong Tian Water Supply has the right to use the Land under the Lease only, it does not has the right to sublease, mortgage and transfer the Land.
 - (d) The Land under the Lease is restricted to be used for water supply purpose which is not in violation of the prescribed usage of the Land nor any of the PRC laws and regulations.
- (v) Since the Buildings were built by Zhong Tian Water Supply on lessor's land, we have assigned no commercial value to the Buildings. For reference purpose, assuming free from encumbrances, the depreciated replacement cost of the Buildings as at the valuation date would be approximately RMB10,300,000.

VALUATION CERTIFICATE

No.	Property	Description	Particulars of occupancy	Market value in existing state as at 15 April 2008 (RMB)
2.	Land and buildings Water Source Station Sanxing Cun Huangchi Town Dangtu County Ma'anshan Anhui Province The PRC	<p>The property comprises a parcel of land ("the Land") and 2 buildings (the "Building") erected on the Land. The Building was completed in 2006.</p> <p>The land area of the Land is approximately 4,553 square metres and the total gross floor area ("GFA") of the buildings is approximately 268 square metres.</p>	<p>The property is currently occupied by Zhong Tian Water Supply as a water source station.</p>	<p>No commercial value</p> <p>(see note v)</p>
		<p>The property is held under a land lease for a term of 31 years from 31 December 2006 to 31 December 2037 at a total rent of RMB47,810 for water source purpose.</p>		

Notes:

- (i) Zhong Tian Water Supply has obtained the operating rights of the water supply business in Huangchi Area under a franchise agreement entered into between the People's Government of Huangchi Town of Dangtu County ("Party A"), Water Resources Bureau of Dangtu County ("Party B") and Zhong Tian Water Supply ("Party C") dated 14 March 2006.
- (ii) According to a land lease entered into between the People's Government of Huangchi Town of Dangtu County and Zhong Tian Water Supply dated 5 February 2007, the Land was agreed to be leased to Zhong Tian Water Supply with a term of 31 years from 31 December 2006 to 31 December 2037 at a total rent of RMB47,810 for water source purpose.
- (iii) The Buildings were built by Zhong Tian Water Supply on the Land according to the franchise agreement mentioned in (i). As advised by Zhong Tian Water Supply, no further approvals are required.
- (iv) Opinions of the PRC Lawyer are summarized as follows:
 - (a) According to a land lease (the "Lease") entered into between the People's Government of Huangchi Town of Dangtu County and Zhongtian Water Supply dated 5 February 2007, the Land (with land area of 4,553 square metres) was agreed to be leased to Zhongtian Water Supply with a term of 31 years from 31 December 2006 to 31 December 2037 for water source purpose.
 - (b) According to the relevant PRC laws, the maximum term of lease is 20 years. Therefore, the lease term of the Land is 20 years though it appears to be 31 years on the Lease. However, the Lease can be extended upon expiry after 20 years.
 - (c) Zhong Tian Water Supply has the right to use the Land under the Lease only, it does not has the right to sublease, mortgage and transfer the Land.
 - (d) The Land under the Lease is restricted to be used for water supply purpose which is not in violation of the prescribed usage of the Land nor any of the PRC laws and regulations.
- (v) Since the Buildings were built by Zhong Tian Water Supply on lessor's land, we have assigned no commercial value to the Buildings. For reference purpose, assuming free from encumbrances, the depreciated replacement cost of the Buildings as at the valuation date would be approximately RMB670,000.

VALUATION CERTIFICATE

No.	Property	Description	Particulars of occupancy	Market value in existing state as at 15 April 2008 (RMB)																								
3.	Land, buildings and structures Huyang Water Plant Dongwanghou Huyang County Dangtu Xian Ma'anshan Anhui Province The PRC	<p>The property comprises a parcel of land ("the Land"), 4 buildings (the "Buildings") and various structures erected on the Land. The Buildings were completed in 2006.</p> <p>The land area of the Land is approximately 3,333 square metres and the total gross floor area ("GFA") of the buildings is approximately 243 square metres. Detailed breakdown is as follows:</p> <table border="1"> <thead> <tr> <th>Buildings</th> <th>No. of Blocks</th> <th>No. of Storey</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td>1</td> <td>1</td> <td>104</td> </tr> <tr> <td>Pump room</td> <td>1</td> <td>1</td> <td>33</td> </tr> <tr> <td>Chemical</td> <td>1</td> <td>1</td> <td>75</td> </tr> <tr> <td>Ancillary</td> <td>1</td> <td>1</td> <td><u>31</u></td> </tr> <tr> <td>Total</td> <td>4</td> <td></td> <td><u><u>243</u></u></td> </tr> </tbody> </table>	Buildings	No. of Blocks	No. of Storey	GFA (sq.m.)	Office	1	1	104	Pump room	1	1	33	Chemical	1	1	75	Ancillary	1	1	<u>31</u>	Total	4		<u><u>243</u></u>	The property is currently occupied by Zhong Tian Water Supply as a water supply plant.	No commercial value (see note v)
Buildings	No. of Blocks	No. of Storey	GFA (sq.m.)																									
Office	1	1	104																									
Pump room	1	1	33																									
Chemical	1	1	75																									
Ancillary	1	1	<u>31</u>																									
Total	4		<u><u>243</u></u>																									
		<p>The various structures comprise water tanks, filtration tanks, precipitation tanks, internal road, boundary walls, greenery and etc.</p> <p>The property is held under a land lease for a term of 31 years from 23 August 2005 to 22 August 2036 at a total rent of RMB50,000 for water plant purpose.</p>																										

Notes:

- (i) Zhong Tian Water Supply has obtained the operating rights of the water supply business in Huyang Area under a franchise agreement entered into between the People's Government of Huyang Town of Dangtu County ("Party A"), Water Resources Bureau of Dangtu County ("Party B") and Zhong Tian Water Supply ("Party C") dated 23 August 2003.
- (ii) According to a land lease entered into between the People's Government of Huyang Town of Dangtu County and Zhong Tian Water Supply dated 25 August 2005, the Land was agreed to be leased to Zhong Tian Water Supply with a term of 31 years from 23 August 2005 to 22 August 2036 at a total rent of RMB50,000 for water plant purpose.
- (iii) The Buildings were built by Zhong Tian Water Supply on the Land according to the franchise agreement mentioned in (i). As advised by Zhong Tian Water Supply, no further approvals are required.
- (iv) Opinions of the PRC Lawyer are summarized as follows:
 - (a) According to a land lease (the "Lease") entered into between the People's Government of Huyang Town of Dangtu County and Zhongtian Water Supply dated 25 August 2005, the Land (with land area of 3,333 square metres) was agreed to be leased to Zhongtian Water Supply with a term of 31 years from 23 August 2005 to 22 August 2036 for water plant purpose.
 - (b) According to the relevant PRC laws, the maximum term of lease is 20 years. Therefore, the lease term of the Land is 20 years though it appears to be 31 years on the Lease. However, the Lease can be extended upon expiry after 20 years.
 - (c) Zhong Tian Water Supply has the right to use the Land under the Lease only, it does not has the right to sublease, mortgage and transfer the Land.
 - (d) The Land under the Lease is restricted to be used for water supply purpose which is not in violation of the prescribed usage of the Land nor any of the PRC laws and regulations.
- (v) Since the Buildings were built by Zhong Tian Water Supply on lessor's land, we have assigned no commercial value to the Buildings. For reference purpose, assuming free from encumbrances, the depreciated replacement cost of the Buildings as at the valuation date would be approximately RMB840,000.

VALUATION CERTIFICATE

No.	Property	Description	Particulars of occupancy	Market value in existing state as at 15 April 2008 (RMB)
4.	Land, buildings and structures Niandou Water Plant Gongyuan Cun Niandou County Dangtu Xian Ma'anshan Anhui Province The PRC	<p>The property comprises a parcel of land ("the Land"), 3 buildings (the "Buildings") and various structures erected on the Land. The Buildings were completed in 2006.</p> <p>The land area of the Land is approximately 3,733 square metres and the total gross floor area ("GFA") of the buildings is approximately 260 square metres. Detailed breakdown is as follows:</p>	The property is currently occupied by Zhong Tian Water Supply as a water supply plant.	No commercial value (see note v)

Buildings	No. of Blocks	No. of Storey	GFA (sq.m.)
Office	1	1	104
Pump room	1	1	76
Chemical room	1	1	80
Total	3		<u>260</u>

The various structures comprise water tanks, filtration tanks, precipitation tanks, internal road, boundary walls, greenery and etc.

The property is held under a land lease for a term of 31 years from 23 September 2005 to 22 September 2036 at a total rent of RMB56,000 for water plant purpose.

Notes:

- (i) Zhong Tian Water Supply has obtained the operating rights of the water supply business in Niandou Area under a franchise agreement entered into between the People's Government of Niandou Town of Dangtu County ("Party A"), Water Resources Bureau of Dangtu County ("Party B") and Zhong Tian Water Supply ("Party C") dated 23 September 2003.
- (ii) According to a land lease entered into between the People's Government of Niandou Town of Dangtu County and Zhong Tian Water Supply dated 22 September 2005, the Land was agreed to be leased to Zhong Tian Water Supply with a term of 31 years from 23 September 2005 to 22 September 2036 at a total rent of RMB56,000 for water plant purpose.
- (iii) The Buildings were built by Zhong Tian Water Supply on the Land according to the franchise agreement mentioned in (i). As advised by Zhong Tian Water Supply, no further approvals are required.
- (iv) Opinions of the PRC Lawyer are summarized as follows:
 - (a) According to a land lease (the "Lease") entered into between the People's Government of Niandou Town of Dangtu County and Zhongtian Water Supply dated 22 September 2005, the Land (with land area of 3,733 square metres) was agreed to be leased to Zhongtian Water Supply with a term of 31 years from 23 September 2005 to 22 September 2036 for water plant purpose.
 - (b) According to the relevant PRC laws, the maximum term of lease is 20 years. Therefore, the lease term of the Land is 20 years though it appears to be 31 years on the Lease. However, the Lease can be extended upon expiry after 20 years.
 - (c) Zhong Tian Water Supply has the right to use the Land under the Lease only, it does not has the right to sublease, mortgage and transfer the Land.
 - (d) The Land under the Lease is restricted to be used for water supply purpose which is not in violation of the prescribed usage of the Land nor any of the PRC laws and regulations.
- (v) Since the Buildings were built by Zhong Tian Water Supply on lessor's land, we have assigned no commercial value to the Buildings. For reference purpose, assuming free from encumbrances, the depreciated replacement cost of the Buildings as at the valuation date would be approximately RMB1,420,000.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular 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:

- (a) the information contained in this circular is accurate and complete in all material respects and is not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows.

(i) Interest in Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Pang Hong Tao	Beneficial	10,500,000(L)	0.79%
Mr. Ma She Shing, Albert	Beneficial	870,000(L)	0.07%
Mr. Mo Wai Ming, Lawrence	Beneficial	21,385,920(L)	1.61%
Ms. Au Shui Ming, Anna	Beneficial	22,500,000(L)	1.69%

(L) denotes long position

(ii) Interest in share options

Name of Director	Number of share options outstanding	Approximate percentage of issued share capital of the Company
Mr. Pang Hong Tao	6,300,000	0.47%
Ms. Au Shui Ming, Anna	6,000,000	0.45%

Note: The exercise price of the share options is HK\$0.151 per Share with exercise period commencing from 18 January 2008 and ending on 20 December 2017.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange

(b) Interests of substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Lau Kim Hung, Jack <i>(Note 1)</i>	Interest of controlled corporation	299,478,238(L)	22.51%
Ms. Chan Yiu Kan Katie <i>(Note 1)</i>	Deemed	299,478,238(L)	22.51%

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Manciple Enterprises Limited (Note 1)	Beneficial	299,478,238(L)	22.51%
Ms. Wong Chau Wan, Sanny (Note 2)	Beneficial	1,210,000(L)	9.56%
	Deemed	125,944,400(L)	
Mr. Wong Ming Kerry (Note 2)	Beneficial	11,474,400(L)	9.56%
	Interest of controlled corporation	114,470,000(L)	
	Deemed	1,210,000(L)	
Digital Epoch Profits Limited (Note 2)	Beneficial	114,470,000(L)	8.60%

(L) denotes long position

Note:

1. Manciple Enterprises Limited (“**Manciple**”) is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“**Mr. Lau**”). Manciple beneficially owns 299,478,238 Shares. Under the SFO, Mr. Lau is deemed to be interested in 299,478,238 Shares. Ms. Chan Yiu Kan Katie, the wife of Mr. Lau, is also deemed to be interested in 299,478,238 Shares.
2. Digital Epoch Profits Limited (“**Digital Epoch**”) is wholly and beneficially owned by Mr. Wong Ming Kerry (“**Mr. Wong**”). Digital Epoch beneficially owns 114,470,000 Shares. Under the SFO, Mr. Wong is deemed to be interested in the said 114,470,000 Shares.

Mr. Wong is personally interested in 11,474,400 Shares, and his wife, Ms. Wong Chau Wan, Sanny (“**Ms. Wong**”), also beneficially owns 1,210,000 Shares. Being spouses, Mr. Wong and Ms. Wong are deemed to be interested in their respective shareholding in the Company under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, management shareholders or substantial shareholders or any of their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or has, any other conflict of interest which any such person has or may have within the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which the latest audited financial statements of the Company were made up.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the warrant placing agreement dated 28 August 2006 and entered into among the Company as the issuer, Glory Force Limited as the subscriber and Mr. Yip Yung Kan as the guarantor in relation to the subscription of 117,800,000 unlisted warrants of the Company by Glory Force Limited at an issue price of HK\$0.015 per warrant and subscription price of HK\$0.155 per Share;
- (b) the conditional legally binding memorandum of understanding dated 2 February 2007 and the formal sale and purchase agreement dated 21 March 2007 and entered into between Mr. Yang Pei Gen and the Vendor in respect of the acquisition of Silky Sky Investments Limited for a total consideration of HK\$61 million;

- (c) the memorandum of understanding dated 4 October 2007 and entered into among the Company, Mr. Yip Yuk Tong and Proud Dragon in respect of the proposed acquisition of the whole or part of equity interest held by the Vendor in Proud Dragon;
- (d) the underwriting agreement dated 29 October 2007 entered into between the Company, Quam Securities Company Limited and Partners Capital International Limited in relation to the open offer announced by the Company on 2 November 2007 and 17 December 2007 respectively;
- (e) the conditional agreement dated 29 October 2007 and entered into among Mr. Yip Yuk Tong as a vendor, the Vendor as a purchaser and Proud Dragon in respect of the acquisition of the 318 shares of Proud Dragon and the subscription of 158 shares of Proud Dragon by the Vendor at a total consideration of HK\$47,600,000;
- (f) the conditional agreement dated 14 April 2008 entered into between the Cheer Plan Limited, a wholly owned subsidiary of the Company, as a subscriber and Far Glory Limited in relation to the subscription of 900 new shares of Far Glory Limited at a total consideration of HK\$20,250,000; and
- (g) the Agreement.

Save for the aforementioned, no contract, not being contracts in the ordinary course of business carried on by the Company or any of its subsidiaries, has been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date.

8. EXPERT'S QUALIFICATION AND CONSENT

1. The following are the respective qualifications of the experts who have been named in this circular or have given their opinions, letters or advice which are contained in this circular:

Name	Qualification
Greater China Appraisal Limited	Registered Professional Surveyor Chartered Valuation Surveyor

2. Greater China Appraisal Limited has no shareholding, directly or indirectly, in any member of the Group or any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
3. Greater China Appraisal Limited has given and has not withdrawn its written consent to the issue of the circular, with the inclusion of the reference to its name and/or its opinion in the form and context in which they are included.

4. Greater China Appraisal Limited has no direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Remaining Group since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.

9. INTEREST IN CONTRACTS AND ASSETS

No contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries is a party and in which any Director has a material interest, whether directly or indirectly, subsist at the date of this circular.

None of the Directors and experts referred in the paragraph headed "Qualification and consent of experts" in this appendix has any direct or indirect interest in any asset which has been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2007, the date to which the latest published audited consolidated financial statements of the Group were compiled, up to and including the Latest Practicable Date.

10. MISCELLANEOUS

1. The registered office of the Company is at Caledonian Bank & Trust Limited, Caledonian House, P.O. Box 1043, George Town, Grand Cayman, Cayman Islands.
2. The head office and the principal place of business of the Company in Hong Kong is located at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.
3. The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
4. The company secretary and qualified accountant of the Company is Ms. Au Shui Ming, Anna, who is a certified practicing accountant of CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants.
5. The compliance officer of the Company is Mr. Mo Wai Ming, Lawrence who is also an executive Director.

6. The Company has established an audit committee with written terms of reference prepared and adopted with reference to the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The audit committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The audit committee comprises three members, namely Mr. Hsu William Shiu Foo, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent who are all independent non-executive Directors. Further details of them are set out below:

Mr. Lee Kun Hung, aged 42, is an independent non-executive Director and audit committee member of the Company. Mr. Lee has over 15 years of manufacturing experience in the watch industry. Mr. Lee holds a Bachelor of Arts degree from Boston College, Massachusetts, US. Mr. Lee has not held any directorship in any listed company.

Mr. Hsu William Shiu Foo, aged 57, is an independent non-executive Director and audit committee member of the Company. Mr. Hsu has over 10 years of global business experience in tourism and service-oriented related fields in various international corporations. Mr. Hsu holds a Bachelor degree in Arts from Brigham Young University, Hawaii and a Master degree in Hotel Administration from Cornell University, New York. Mr. Hsu is currently an independent non-executive director of other listed companies.

Mr. Kwok Chi Sun, Vincent, aged 45, is an independent non-executive Director and audit committee member of the Company. Mr. Kwok is a sole proprietor of Vincent Kwok & Co., and is a Certified Public Accountant. He is an independent non-executive director of other listed companies.

7. The English text of this circular and the proxy form shall prevail over their respective Chinese text in case of inconsistency.

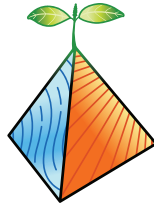
11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (except Saturdays and public holidays) at the head office and principal place of business of the Company at Unit 1601, 16/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong as at the date of this circular up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the two years ended 31 December 2007;
- (iii) the material contracts referred to in the section headed "Material contracts" in this appendix;

- (iv) the written consent referred to in the section headed “Expert’s qualification and consent” in this appendix;
- (v) the circular issued by the Company dated 17 January 2008; and
- (vi) this circular.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Shen Nong China (Group) Limited (the “**Company**”) to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Wednesday, 21 May 2008 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the conditional sale and purchase agreement dated 21 April 2008 (the “**Agreement**”) entered into between Rise Assets Limited, a wholly-owned subsidiary of the Company, as vendor and Mr. Lao Kuai Hong, as purchaser, in relation to the disposal of 476 ordinary shares of Proud Dragon Limited (“**Proud Dragon**”), representing 100% of the issued share capital of Proud Dragon, for an aggregate consideration of HK\$50,000,000 (a copy of Agreement will be produced to the Meeting marked “A” for the purpose of identification) and the transactions contemplated thereunder be and are thereby approved, confirmed and ratified; and
- (b) any director of the Company be and is thereby authorised to do all such acts and things and execute all documents which they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation and completion of the Agreement and the matters contemplated therein”.

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

Hong Kong, 5 May 2008

NOTICE OF EGM

Registered office:

Caledonian Bank & Trust Limited
Caledonian House
P.O. Box 1043
George Town
Grand Cayman
Cayman Islands

Head office and principal

place of business in Hong Kong:
Unit 1601, Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the Meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the offices of the Company's branch share registrar in Hong Kong, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above Meeting or any adjournment thereof, should he so wish.
3. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.