

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, so far as is known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Capacity/ Nature of Interest	Number of Shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Tam Jin Rong	Corporate and personal (Note)	312,035,123	–	36.50%
Main Faith Limited	Beneficial	308,223,869	–	36.06%

Note: Out of the interest, 308,223,869 shares were beneficially owned by and registered in the name of Main Faith Limited, a company incorporated in the British Virgin Islands, and is wholly and beneficially owned by Mr. Tam Jin Rong

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2005, neither the Company, nor any of its subsidiary purchased, redeemed or sold any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Model Code"). Having made specific enquiry to all Directors, the Company confirmed that all the directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2005.

CORPORATE GOVERNANCE

The Board considers that the Company has complied throughout the six months ended 30 June 2005 with the Code of Best Practices that was set out in the Appendix 14 of the Listing Rules, that was in force prior to 1 January 2005. Except that actions have been taken since 1 January 2005 to comply with the Code on Corporate Governance Practices (the “CG Code”), which has become effective from accounting periods commencing on or after 1 January 2005 to replace the then Appendix 14 of the Listing Rules.

The Board also considers that they have complied with the code provisions as set out in the CG Code throughout the six months ended 30 June 2005, except for certain deviations from code provisions A.1.3, A.2.1, A.4.1, A.4.4, B.1.1, C.3.3. The deviations mainly concern the notice of regular board meetings, segregation of duties between Chairman and Chief Executive Officer, term of service of independent non-executive directors, the terms of reference of the nominated committee, remuneration committee and audit committee.

Code Provision A.1.3

Reasonable notices were given to all directors an opportunity to attend board meetings, although not all notices were issued for at least 14 days. The board reviewed the situation and resolved to give at least 14 days notice to all directors for regular board meetings in future.

Code Provision A.2.1

Mr. Tam Jin Rong assumes the roles of chairman, and there is no other person designated as chief executive officer. The board believes that this structure helps maintain strong leadership which results in efficient decision making process. To help achieve a better balance of power and authority, the chairman usually discusses with other executive directors on important issues relating to the Group’s businesses.

Code Provision A.4.1

None of the existing independent non-executive Directors is appointed for a specific term. However, all the Directors (executive and independent non-executive) are subject to retirement provisions under Articles 99 to 104 of the Bye-laws of the Company. One-third of the Directors for the time being shall retire from the office by rotation at each annual general meeting. The Directors to retire by rotation shall include any Directors who wishes to retire and not to offer himself for re-election, or those who have been longest in office

since their last re-election or appointment or those who were appointed by the Board to fill casual vacancy. Any Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and shall be eligible for election. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Code Provision A.4.4

No nomination committee is currently in place but executive directors usually consults independent non-executive directors on nominations to the Board. The Board will set up a nomination committee in the future.

Code Provision B.1.1

The Company has not established a remuneration committee in view of the Company's simple organisation structure. The Board will set up a remuneration committee in the future.

Code Provision C.3.3

The terms of reference of the audit committee have not been fully documented. Nevertheless, the unwritten duties of the audit committee closely resemble those in the CG Code.

AUDIT COMMITTEE

The audit committee consists of three independent non-executive directors, namely Mr. Huang Shou Deng, Mr. Lau Kwok Wah and Mr. Tsui Wing Tak. The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2005.

By Order of the Board
China Nan Feng Group Limited
Tam Kai On
Executive Director

Hong Kong, 23 September 2005