

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China Nan Feng Group Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2005.

FINANCIAL PERFORMANCE

The Group's turnover and net loss for the year ended 31 December 2005 were approximately HK\$51.7 million (2004: HK\$36.8 million) and HK\$4.6 million (2004: net profit of HK\$161.8 million) respectively. The increase in turnover during the year was encouraging and taking into account the fact that the financial results of the Group for the previous financial year was to a large extent boosted by various gains amounting to HK\$173.5 million which were exceptional and non-recurring in nature, the financial performance for 2005 was promising.

BUSINESS REVIEW

During the year the Group continued its focus in the construction market in the Guangdong Province, the People's Republic of China ("PRC") where the Group had developed an extensive network of connections over the last few years. The turnover of the Group, derived entirely from construction contracts in the PRC, recorded an increase of 40.5% from approximately HK\$36.8 million in 2004 to HK\$51.7 million in this year.

FUTURE PROSPECTS

The Directors will continue to focus on the construction and property related sectors in the PRC and will also look for other business opportunities, in particular, in the area of environmental protection and energy business in both Hong Kong and the PRC with a view to generating positive cashflow and earnings for the Company.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to the management and staff members for their continued dedication and contribution. I would also like to express our gratitude to our shareholders for their support of the Group

Yip Wai Leung Jerry
Chairman

Hong Kong, 21 April 2006

