



Always Adept Limited

(incorporated in the British Virgin Islands with limited liability)

China Nan Feng Group Limited

中國南峰集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 979)

JOINT ANNOUNCEMENT

**(1) Acquisition of shares in China Nan Feng Group Limited
by Always Adept Limited and First Win Trading Limited**

and

**(2) Possible mandatory conditional cash offer by
Always Adept Limited**

**to acquire all the issued shares in China Nan Feng Group Limited
(other than those already owned by**

Always Adept Limited and parties acting in concert with it)

and

(3) Resumption of trading

Joint Financial Advisers to Always Adept Limited



REXCAPITAL (Hong Kong) Limited

ASIA VEST PARTNERS

Asia Vest Investment Advisory Limited

THE SALE AND PURCHASE AGREEMENT

The board of directors of the Company and the Offeror announce that on 13 January 2006 the Sale and Purchase Agreement was entered into between the Offeror and First Win and the Vendors, pursuant to which the Offeror and First Win agreed to purchase and the Vendors agreed to sell an aggregate of 312,035,123 Shares for a consideration of HK\$29,019,266 (equivalent to HK\$0.093 per Sale Share). The Sale Shares represent approximately 36.50% of the entire issued share capital of the Company as at the date of this announcement.

Completion is conditional upon certain conditions of the Sale and Purchase Agreement, brief particulars of which are set out under the section headed "The Sale and Purchase Agreement" below, being fulfilled or waived on or before 15 February 2006, and is scheduled to take place on the third Business Day after the fulfillment (or waiver) of the last of the conditions of the Sale and Purchase Agreement. Further announcement will be made as soon as practicable after Completion.

POSSIBLE MANDATORY CONDITIONAL CASH OFFER

Following Completion, the Offeror and parties acting in concert with it will own 312,035,123 Shares in the aggregate, representing approximately 36.50% of the entire issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory conditional cash offer for all the issued Shares not already owned or agreed to be acquired by it and parties acting in concert with it. The Offer will be subject to and conditional upon the Offeror having received valid acceptances in respect of Shares which, together with Shares owned or agreed to be acquired by the Offeror and parties acting in concert with it before and during the Offer, will result in their holding of more than 50% of the voting rights of the Company.

The principal terms of the Offer are set out under the section headed "Possible mandatory conditional cash offer" below.

REXCAPITAL and AsiaVest Investment are satisfied that there are sufficient financial resources available to the Offeror to meet its obligation in case of a full acceptance of the Offer.

DESPATCH OF COMPOSITE OFFER DOCUMENT

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch an offer document containing the terms of the Offer and a form of acceptance and transfer of the Shares to the Shareholders within 21 days after the date of this announcement or such later date as the Executive may approve. In the event that the conditions precedent to Completion cannot be fulfilled within 21 days of the date of this announcement, the Offeror will apply for the consent of the Executive under Note 2 to Rule 8.2 of the Takeovers Code so that the offer document will be despatched within 7 days of the fulfillment of such conditions.

It is the present intention of the respective boards of directors of the Offeror and the Company to combine the offer document and the offeree board circular in the Composite Offer Document. If the offer document and the offeree board circular shall be combined in the Composite Offer Document, the Offeror and the Company are required to despatch the Composite Offer Document to the Shareholders within 21 days after the date of this announcement or such later date as the Executive may approve.

The Company has established the Independent Board Committee to advise the Independent Shareholders. An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the Offer. A separate announcement will be made as soon as an independent financial adviser is appointed. A letter from the Independent Board Committee to the Independent Shareholders and a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders will be included in the Composite Offer Document.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 16 January 2006 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 27 January 2006.

WARNING

The Offer is a possibility only.

Shareholders and potential investors should be aware and take note that the Sale and Purchase Agreement is conditional upon satisfaction or waiver of certain conditions set out under the section headed "The Sale and Purchase Agreement" below, and that the Offer will only be made upon Completion. Accordingly, the Offer may or may not be made. Upon close of the Offer, the Offeror and the parties acting in concert with it may or may not have received valid acceptances which in aggregate account for more than 50% of the voting rights of the Company. Therefore the Offer may or may not become unconditional. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE SALE AND PURCHASE AGREEMENT

- Date: 13 January 2006
- Vendors: (1) Main Faith Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Tam; and
(2) Mr. Tam.
- The Vendors confirm that they and parties acting in concert with them hold in aggregate 312,035,123 Shares, representing approximately 36.50% of the entire issued share capital of the Company as at the date of this announcement.
- Purchasers: Always Adept Limited and First Win Trading Limited, each of which is a company incorporated in the British Virgin Islands and wholly owned by Always New Limited, which is a company incorporated in the British Virgin Islands and wholly owned by the Trustee. Upon Completion, the Offeror will hold 30% of the total number of the Sale Shares while First Win will hold the remaining 70% of the total number of the Sale Shares. And accordingly, upon Completion, the Sale Shares will become the investment assets of the Yip's Family Trust, which was established by Mr. Yip for the benefit of himself and Mrs. Yip and such beneficiary and/or beneficiaries as the protector (currently being Mr. Yip) for the time being of the Yip's Family Trust may from time to time declare.
- Immediately before entering into the Sale and Purchase Agreement, each of the Purchasers, Mr. Yip and Mrs. Yip is independent of and none of them is connected with or acting in concert with the Company, the directors, chief executive or substantial shareholders of the Company and the Vendors or any of their respective subsidiaries or associates.
- Warrantor: Mr. Tam
- Sale Shares: The Purchasers have conditionally agreed to purchase and the Vendors have conditionally agreed to sell an aggregate of 312,035,123 Shares, representing approximately 36.50% of the entire issued share capital of the Company as at the date of this announcement.
- Upon Completion, the Sale Shares to be acquired by the Purchasers will be free from all liens, charges, encumbrances and any other third-party rights together with all rights attaching thereto on or after the date of the Sale and Purchase Agreement.
- Consideration: Approximately HK\$29,019,266 (equivalent to HK\$0.093 per Sale Share) for the acquisition of the Sale Shares, payable in cash upon Completion.
- The consideration payable by the Purchasers for the acquisition of the Sale Shares under the Sale and Purchase Agreement was determined after arm's length negotiations between the Purchasers and the Vendors with reference to, among other things, the historical Share price performance.
- A cash sum of HK\$5,000,000 has been paid to the Vendors upon the signing of the Sale and Purchase Agreement as deposit and part payment of the purchase price of the Sale Shares.
- Conditions: Completion is subject to, among other things, the following conditions being fulfilled or waived by 5:00 p.m. on 15 February 2006 (or such later date as the Purchasers and the Vendors may agree in writing):
- (a) the Shares remaining listed and traded on the main board of the Stock Exchange at all times from the date of the Sale and Purchase Agreement to and on the Completion Date, save for (i) suspension of less than three (3) consecutive Business Days or (ii) the suspension (other than on the Completion Date) on account of clearance of any announcement in respect of any of the transactions contemplated under the Sale and Purchase Agreement, and the current listing of the Shares not having been withdrawn and no indication being received on or before the Completion Date from the SFC or the Stock Exchange to the effect that the listing of the Shares on the main board of the Stock Exchange will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of Completion or in connection with the terms of or any transaction contemplated by the Sale and Purchase Agreement (including, but not limited to, in connection with any allegation that the Company is no longer suitable for listing);
 - (b) the Company not being considered by the Stock Exchange as an applicant for new listing as a result of or in connection with the transactions contemplated in the Sale and Purchase Agreement or in the event that the Company is treated as such, approval by the Listing Committee of the Stock Exchange of the new listing application of the Company;

- (c) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the Sale and Purchase Agreement (including the change in control of the Company upon Completion) having been obtained;
- (d) no Event having occurred which suggests that there has been a breach of any of the Warranties or other provisions of the Sale and Purchase Agreement by either of the Vendors and/or the Warrantor;
- (e) receipt by the Purchasers from the Vendors of a legal opinion on PRC laws (in form and substance satisfactory to the Purchaser) covering such matters as the legal status of the Company's subsidiaries which were incorporated in the PRC and the legality of the operation of such subsidiaries;
- (f) the SFC not raising any objection to the Offer being made at a price for each Share of not higher than HK\$0.093; and
- (g) the Vendors producing evidence to show that the Group's consolidated net asset value was not less than HK\$5,100,000 as at 30 November 2005 and there being no liability (whether actual or contingent) outstanding against any member of the Group other than those as shown in the Group's management accounts made up to 30 November 2005.

Completion will take place on the third Business Day after the fulfillment (or waiver) of the last of the conditions as referred to in paragraph (b), (c), (e), (f) and (g) set out above on or before 15 February 2006, or such other date as the Vendors and Purchasers shall agree in writing. Further announcement will be made as soon as practicable after Completion.

POSSIBLE MANDATORY CONDITIONAL CASH OFFER

Immediately following Completion, the Offeror and parties acting in concert with it will own in aggregate 312,035,123 Shares, representing approximately 36.50% of the entire issued share capital of the Company. The Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory conditional cash offer for all the issued Shares not already owned by it and parties acting in concert with it. There are no outstanding options, warrants or securities convertible or exchangeable into Shares as at the date of this announcement.

For the six months immediately before the date of the Sale and Purchase Agreement and up to the date of this announcement, save for the entering into of the Sale and Purchase Agreement, the Offeror and parties acting in concert with it have not dealt in nor have they had any shareholding interest, convertible securities, warrants or options in the Company. Neither REXCAPITAL nor AsiaVest Investment has any shareholding or dealings in the Shares.

Principal terms of the Offer

Subject to Completion, the Offeror will make a mandatory conditional cash offer to all the Shareholders to acquire all the Shares, other than those held by the Offeror and parties acting in concert with it, on terms to be set out in the offer documents or, as the case may be, the Composite Offer Document in accordance with the Takeovers Code on the following basis:

For each ShareHK\$0.093 in cash

The Offer Price is the same as the price paid by the Offeror for each Sale Share under the Sale and Purchase Agreement.

Comparison of value

The Offer Price of HK\$0.093 per Share is the same as the price agreed to be paid by the Offeror to the Vendors for each Sale Share under the Sale and Purchase Agreement, and represents:

- (a) a premium of 24.00% over the closing price of HK\$0.075 per Share as quoted on the Stock Exchange on 13 January 2006, being the last trading day before the suspension of the trading in the Shares on 16 January 2006;
- (b) a premium of approximately 25.68% over the average closing price of approximately HK\$0.074 per Share as quoted on the Stock Exchange over the last 10 consecutive trading days up to and including 13 January 2006;
- (c) a premium of approximately 1,228.57% over the audited net asset value per Share of approximately HK\$0.007 as at 31 December 2004, based on the Company's annual report for the year ended 31 December 2004; and
- (d) a premium of approximately 1,062.50% over the unaudited net asset value per Share of approximately HK\$0.008 as at 30 June 2005, based on the Company's latest interim report for the six-month period ended 30 June 2005.

Total consideration

On the basis of the Offer Price at HK\$0.093 per Share, the entire issued share capital of the Company is valued at approximately HK\$79,493,651. The 542,735,323 Shares subject to the Offer are valued at approximately HK\$50,474,385 based on the Offer Price. REXCAPITAL and AsiaVest Investment are satisfied that there are sufficient financial resources available to the Offeror to meet its obligation in case of a full acceptance of the Offer.

Conditions of the Offer

The Offer will be conditional upon the Offeror having received valid acceptances in respect of Shares which, together with Shares owned or agreed to be acquired by the Offeror and parties acting in concert with it before and during the Offer, will result in their holding more than 50% of the voting rights of the Company. In the event that the Offer becomes unconditional, a separate announcement will be made by the Offeror.

Effect of accepting the Offer

By accepting the Offer, Shareholders will sell their Shares to the Offeror free from all liens, claims and encumbrances and with all rights attached to them, including the rights to receive all dividends and distribution declared, made or paid on or after the date on which the Offer is made, that is, the date of the posting of the offer document by the Offeror in respect of the Offer or, as the case may be, the Composite Offer Document.

Payment

Payment in cash in respect of acceptances of the Offer will be made within 10 days of the date on which the duly completed acceptances of the Offer and the relevant documents of title to the Shares in respect of such acceptances are received by or for or on behalf of the Offeror.

Stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the amount payable in respect of the relevant acceptances or if higher, the market value of the Shares, will be deducted from the amount payable to Shareholders who accept the Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptances or if higher, the market value of the Shares, and will be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares.

Completion of the Offer

Assuming that the Offer has become unconditional, the Offeror intends to transfer to First Win, immediately following completion of the Offer, such number (as nearly as may be without involving fractions) of Shares acquired by it under the Offer from the Shareholders who have accepted the Offer as may be necessary so that upon completion of such transfer:

- (a) the number of Shares held by the Offeror will be 30% of the aggregate number of Shares held by the Purchasers; and
- (b) the number of Shares held by First Win will be 70% of the aggregate number of Shares held by the Purchasers.

INFORMATION ON THE GROUP

The principal activities of the Group are construction contractor and provision of management services.

The following table sets out the shareholding structure of the Company (based on information received by the Company and notified pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as at the date of this announcement) immediately before and after the Acquisition (and assuming there are no changes other than those contemplated under the Sale and Purchase Agreement):

	Before the Acquisition		After the Acquisition	
	No. of Shares	Approximate percentage (%)	No. of Shares	Approximate percentage (%)
Mr. Tam and parties acting in concert with him (Note)	312,035,123	36.50	–	–
Mr. Tao Ke Wei, an executive Director	1,917,095	0.22	1,917,095	0.22
Mr. Tam Kai On, an executive Director	1,875,191	0.22	1,875,191	0.22
Offeror and parties acting in concert with it	–	–	312,035,123	36.50
Public	538,943,037	63.06	538,943,037	63.06
Total	854,770,446	100.00	854,770,446	100.00

Note: Of these Shares, 3,811,254 Shares are beneficially owned and registered in the name of Mr. Tam and 308,223,869 Shares are beneficially owned and registered in the name of Main Faith, the entire issued share capital of which is owned by Mr. Tam.

Save for the Sale and Purchase Agreement, there is no other arrangement in relation to shares of the Offeror or the Company and which might be material to the Offer, as referred to in Rule 3.5(f) of the Takeovers Code.

The Offeror is not a party to any agreements or arrangement under which it may or may not invoke or seek to invoke a pre-condition or a condition of the Offer, as referred to in Rule 3.5(g) of the Takeovers Code.

INFORMATION ON THE OFFEROR, ITS INTENTION REGARDING THE COMPANY AND PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. The Offeror is wholly owned by Always New Limited, which is a company incorporated in the British Virgin Islands and wholly owned by the Trustee. Upon Completion, the Sale Shares will become the investment assets of the Yip's Family Trust, which was established by Mr. Yip for the benefit of himself and Mrs. Yip and such beneficiary and/or beneficiaries as the protector (currently being Mr. Yip) for the time being of the Yip's Family Trust may from time to time declare. Save for the transactions contemplated by the Sale and Purchase Agreement, the Offeror has not conducted any business since its incorporation and it does not have any material assets as at the date of this announcement. Before the date of the Sale and Purchase Agreement, neither the Offeror nor Mr. Yip nor parties acting in concert with either of them has owned any Shares or any options, warrants or securities convertible into Shares.

Assuming that the Sale and Purchase Agreement has been completed and following the close of the Offer, the Offeror intends to continue the Group's existing business of construction contractor and the provision of management services, and will regularly review its business activities and assets. The Offeror has no intention to discontinue the employment of the employees (save for the proposed change in the composition of the Board and the company secretary and qualified accountant as disclosed below) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror has no plan on any injection of any assets or businesses into the Company as at the date of this announcement.

Subject to Completion, all existing Directors, namely Mr. Tam, Mr. Tao Ke Wei and Mr. Tam Kai On and three independent non-executive Directors, namely Mr. Lau Kwok Wah, Mr. Huang Shou Deng and Mr. Tsui Wing Tak, will resign directorship of the Company and such resignation will take effect on the closing date of the Offer or the date when the Offer becomes unconditional, whichever is the later, in compliance with Rule 7 of the Takeovers Code.

The Offeror intends to nominate two executive Directors and three independent non-executive Directors to the Board and such appointment will not take effect earlier than the date of the posting of the offer document by the Offeror in respect of the Offer or, as the case may be, the Composite Offer Document subject to compliance with the Takeovers Code. Further announcement will be made upon any appointment of new Directors.

Brief details of the proposed new directors are set out below:

Yip Wai Leung Jerry (proposed Executive Director and one of the proposed authorized representatives of the Company), aged 48, is a solicitor and a partner in the firm of J. Chan, Yip, So & Partners, of which he is one of the founding partners. Mr. Yip graduated from University of London with a Bachelor Degree in Laws. He has 18 years of legal professional experience and his principal areas of practice include commercial work, property, finance and litigation. Mr. Yip is one of the independent directors and the chairman of the Audit, Nominating and Remuneration Committees of Bio-Treat Technology Limited, a company listed on the main board of Singapore Exchange Securities Trading Limited.

Ming Kar Fook Charles (proposed Executive Director), aged 71, is a chartered architect and a director of Charles Ming & Associates Limited that provides architectural advice and consultancy services. Mr. Ming graduated from University of New South Wales (School of Architecture) with a Bachelor Degree in Architecture. He has business and professional experience in the construction industry.

So Yin Wai Alex (proposed Independent Non-Executive Director), aged 43, graduated from Hong Kong Polytechnic University in 1986 and has been in the accounting profession for nearly 20 years. He is a member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He had previously worked for Peat Marwick & Co. and Messrs. Kwan Wong Tan & Fong and been involved in the audit of a number of international and local engagements and listed companies. He is currently the sole practitioner of his own firm known as Alex So & Co (Certified Public Accountants). Apart from his auditing experiences, Mr. So also specializes in company secretarial work, tax planning and management consultancy matters. Mr. So is currently the Vice-Chairman of China Business Association. He is the Honorary Auditor of a number of voluntary organizations, including Hong Kong Parkinson's Disease Foundation, Life Currents and Caring Centre Foundation Limited. Mr. So is one of the independent non-executive directors of New Spring Holdings Limited, a company listed on the main board of the Stock Exchange.

Zhou Yao Ming (proposed Independent Non-Executive Director), aged 70, has over 40 years of experience in academic training and education in the PRC and has been the Principal of Jinan University since 1999. Mr. Zhou graduated from Zhongshan University with a Bachelor Degree in History. Mr. Zhou is one of the independent directors and a member of the Audit, Nominating and Remuneration Committees of Bio-Treat Technology Limited, a company listed on the main board of Singapore Exchange Securities Trading Limited. He is also one of the independent non-executive directors of New Spring Holdings Limited, a company listed on the main board of the Stock Exchange.

Zhu You Chun (proposed Independent Non-Executive Director), aged 69, graduated from Kunming University of Science and Technology with a Bachelor Degree. She has over 40 years of experience in researching and academic training in the PRC and is the tenured full professor in the Department of Environmental Science and Engineering, Guangdong University of Technology. Professor Zhu's main areas of research cover wastewater control and solid waste management and reutilization. She has carried out extensive government funded and corporation entrusted environmental research projects, in addition to many other design and environmental effect assessment projects. Professor Zhu is an acknowledged expert in the fields of environmental science engineering and has published more than 50 articles in both Chinese and overseas journals. Her research work has won her awards and patents in China. She is also one of the professional committee members of Guangdong Environmental Protection Association and is included in the Expert Database of China Environmental Protection Association.

Brief details of the proposed company secretary and qualified accountant are set out below:

Cheng Sing Wai Henry, aged 39, is a Certified Public Accountant (Practising) in Hong Kong and a Licensed Certified Public Accountant in the United States of America. He has over 12 years of experience in accounting, taxation and finance in Hong Kong and the United States of America. Mr. Cheng holds a Bachelor Degree in Commerce and a Master Degree in Business Administration. It is proposed that he be appointed as one of the authorized representatives of the Company.

Save for the introduction of the above new directors to the Board and the change of the company secretary and qualified accountant, the Offeror has no plan to substantially change the senior management of the Group. Based on the experience of the above new Directors and given that there will not be any substantial change in the management of the Group, the Offeror believes that the proposed change in the board composition of the Company will not have any adverse and material impact on the business operation of the Group.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading of the Shares; or**
- **that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.**

The Offeror intends to maintain the listing of the Shares on the Stock Exchange. Each of the Offeror, the Company, the existing Directors and the proposed new Directors will undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that sufficient public float exists in the Shares.

DESPATCH OF COMPOSITE OFFER DOCUMENT

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch an offer document containing the terms of the Offer and a form of acceptance and transfer of the Shares to the Shareholders within 21 days after the date of this announcement or such later date as the Executive may approve. In the event that the conditions precedent to Completion cannot be fulfilled within 21 days of the date of this announcement, the Offeror will apply for the consent of the Executive under Note 2 to Rule 8.2 of the Takeovers Code so that the offer document will be despatched within 7 days of the fulfillment of such conditions.

It is the present intention of the respective boards of directors of the Offeror and the Company to combine the offer document and the offeree board circular in the Composite Offer Document. If the offer document and the offeree board circular shall be combined in the Composite Offer Document, the Offeror and the Company are required to despatch the Composite Offer Document to the Shareholders within 21 days after the date of this announcement or such later date as the Executive may approve.

The Company has established the Independent Board Committee to advise the Independent Shareholders. An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the Offer. A separate announcement will be made as soon as an independent financial adviser is appointed. A letter from the Independent Board Committee to the Independent Shareholders and a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders will be included in the Composite Offer Document.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. 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 up to the date of this announcement.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 16 January 2006 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 27 January 2006.

WARNING

The Offer is a possibility only.

Shareholders and potential investors should be aware and take note that the Sale and Purchase Agreement is conditional upon satisfaction or waiver of certain conditions set out under the section headed "The Sale and Purchase Agreement" above, and that the Offer will only be made upon Completion. Accordingly, the Offer may or may not be made. Upon close of the Offer, the Offeror and the parties acting in concert with it may or may not have received valid acceptances which in aggregate account for more than 50% of the voting rights of the Company. Therefore the Offer may or may not become unconditional. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DISCLOSURE OF DEALINGS

Associates of the Company and the Offeror are reminded to disclose their dealings in the Shares.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

"Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligations of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation."

DEFINITIONS

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

"Acquisition"	the proposed acquisition of the Sale Shares by the Purchasers pursuant to the terms and conditions of the Sale and Purchase Agreement
"AsiaVest Investment"	AsiaVest Investment Advisory Limited, a corporation licensed to carry on business in types 4, 6 and 9 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and one of the joint financial advisers to the Offeror
"associates"	has the meaning ascribed thereto in the Listing Rules
"Board"	board of Directors
"Business Day"	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
"Company"	China Nan Feng Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
"Completion Date"	the date on which Completion takes place
"Composite Offer Document"	the document proposed to be jointly issued by and on behalf of the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, among others, terms and conditions of the Offer, forms of acceptance and transfer in respect of the Offer, the advice of the independent financial adviser to the Independent Board Committee in respect of the Offer, and the advice of the Independent Board Committee to the Independent Shareholders in relation to the Offer
"Director(s)"	director(s) of the Company
"Event"	any act, omission, transaction or circumstance occurring or subsisting at the relevant time
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates

“First Win”	First Win Trading Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Always New Limited, which is a company incorporated in the British Virgin Islands and wholly owned by the Trustee. Mrs. Yip is one of the three directors of First Win Trading Limited. The other two directors are Winning Faith Limited and Intersmart Profits Limited, each of which is independent from and not connected with the Company or any of the Directors, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates. Both Winning Faith Limited and Intersmart Profits Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Lam, Kwok, Kwan & Cheng C.P.A. Limited (林郭關鄭會計師事務所有限公司) and they were appointed to serve as nominee directors of First Win Trading Limited in a professional capacity at the request of Mrs. Yip
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board to be established for the purpose of advising the Independent Shareholders in relation to the Offer
“Independent Shareholders”	Shareholders other than the Purchasers, Mr. Yip, Mrs. Yip, Main Faith, Mr. Tam and their respective associates and concert parties
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Main Faith”	Main Faith Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Tam, one of the Vendors. As at the date of this announcement, it is the registered and beneficial owner of 308,223,869 Shares
“Mr. Tam”	Tam Jin Rong, the chairman and one of the executive Directors and one of the Vendors. As at the date of this announcement, he is the registered and beneficial owner of 3,811,254 Shares
“Mr. Yip”	Yip Wai Leung Jerry, one of the directors of the Offeror and the husband of Mrs. Yip
“Mrs. Yip”	Chui Pui Fun, one of the directors of First Win and the wife of Mr. Yip
“Offer”	a possible mandatory conditional cash offer for all the issued Shares not already owned by the Offeror and parties acting in concert with it at the Offer Price to be made by the Offeror in accordance with the Takeovers Code
“Offeror”	Always Adept Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Always New Limited, which is a company incorporated in the British Virgin Islands and wholly owned by the Trustee. Mr. Yip is one of the three directors of Always Adept Limited. The other two directors are Winning Faith Limited and Intersmart Profits Limited, each of which is independent from and not connected with the Company or any of the Directors, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates. Both Winning Faith Limited and Intersmart Profits Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Lam, Kwok, Kwan & Cheng C.P.A. Limited (林郭關鄭會計師事務所有限公司) and they were appointed to serve as nominee directors of Always Adept Limited in a professional capacity at the request of Mr. Yip
“Offer Price”	the offer price of HK\$0.093 per Share for the Offer
“PRC”	The People’s Republic of China
“Purchasers”	the Offeror and First Win
“REXCAPITAL”	REXCAPITAL (Hong Kong) Limited, a corporation licensed to carry on business in type 6 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and one of the joint financial advisers to the Offeror
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 13 January 2006 entered into between the Vendors, the Purchasers and the Warrantor in relation to the sale by the Vendors and the purchase by the Purchasers of the Sale Shares
“Sale Shares”	312,035,123 Shares agreed to be acquired by the Purchasers pursuant to the Sale and Purchase Agreement
“SFC”	The Securities and Futures Commission of Hong Kong
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trustee”	New Zealand Professional Trustee Limited, a company incorporated in New Zealand and the trustee for the time being of the Yip’s Family Trust, which holds all the issued shares in the capital of Always New Limited, which in turn holds all the issued shares in the capital of each of the Purchasers
“Vendors”	Main Faith and Mr. Tam
“Warranties”	the warranties, representations and undertakings given by the Vendors and the Warrantor in the Sale and Purchase Agreement
“Warrantor”	Mr. Tam

“Yip’s Family Trust”

a discretionary family trust constituted by a deed of settlement dated 5 December 2005 and entered into between the Trustee and Mr. Yip, whereby Mr. Yip established the discretionary family trust for the benefit of himself and Mrs. Yip and such beneficiary and/or beneficiaries as Mr. Yip, the protector for the time being of the discretionary family trust, may from time to time declare

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

“%”

per cent.

By order of the board of
Always Adept Limited
Yip Wai Leung Jerry
Director

By order of the board of
China Nan Feng Group Limited
Tam Jin Rong
Chairman

Hong Kong, 26 January 2006

As at the date of this announcement, the Company has three executive Directors, namely Mr. Tam Jin Rong, Mr. Tao Ke Wei and Mr. Tam Kai On and three independent non-executive Directors, namely Mr. Lau Kwok Wah, Mr. Huang Shou Deng and Mr. Tsui Wing Tak.

The directors of the Offeror accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to the Group, and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, other than those relating to the Group, have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to the Purchasers, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement, other than that relating to the Purchasers, have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

** for identification purpose only*

Please also refer to the published version of this announcement in China Daily.