
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 licensed securities dealer 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 China Nan Feng Group Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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CHINA NAN FENG GROUP LIMITED

中國南峰集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 979)

DISCLOSEABLE TRANSACTION

ACQUISITION OF PROPERTY

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	the provisional agreement dated 24th September, 2004 entered into between the Purchaser and the Vendor for the sale and purchase of the Property
“Board”	the board of Directors
“Company”	China Nan Feng Group Limited, a company incorporated in Bermuda and the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Third	(an) independent third party(ies) not connected with the Company and its connected persons, and is(are) not connected persons of the Company (as defined in the Listing Rules)
“Latest Practicable Date”	15th October, 2004 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	Room B, 11/F., Cheung Lee Industrial Building, No. 9 Cheung Lee Street, Chai Wan, Hong Kong
“Purchaser”	United Bright Holdings Limited, a wholly-owned subsidiary of the Company
“SFO”	Securities and Future Ordinance (Chapter 571 of Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Links & Resources International Limited, its principal activity is import of hardware, which and the ultimate beneficial owner of which, are Independent Third Parties, being the vendor in relation to the sale and purchase of the Property

LETTER FROM THE BOARD



CHINA NAN FENG GROUP LIMITED

中國南峰集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 979)

Executive Directors:

TAM Jin Rong

TAO Ke Wei

TAM Kai On

KO Chung Ting, Peter

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent non-executive Directors:

CHOY Sai Man

LAU Kwok Wah

HUANG Shou Deng

Head Office and Principal

Place of Business:

Room 2806, 28th Floor

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

21st October, 2004

To the Shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF PROPERTY

1. INTRODUCTION

On 24th September, 2004, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors for the sale and purchase of the Property. The acquisition of the Property constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further information relating to the Company and the Agreement.

2. THE PROPERTY

The Agreement was entered into between the Purchaser and the Vendor which was introduced by a property agent, an independent third party, pursuant to which the Vendor and Purchaser have agreed on the sale and purchase of the Property, which has a gross floor area of approximately 3,106 square feet. The consideration for the acquisition of the Property by the Purchaser is HK\$2,174,200.

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LETTER FROM THE BOARD

The Directors confirm that the consideration for the Property has been determined after arm's length negotiations between the Vendor and the Purchaser by reference to the market value of similar properties in similar location.

An initial deposit of HK\$100,000 and a further deposit of HK\$117,420 were paid on 28th September, 2004 and 7th October, 2004, respectively. The remaining consideration for the purchase of the Property of HK\$1,956,780 will be payable in cash upon the Vendor passes the legal title on the Property to the Purchaser on the date of completion on or before 25th November, 2004.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION OF THE PROPERTY

The Group is principally engaged in the provision of construction services in the People's Republic of China.

As the leases in respect of the Group's existing office and warehouse in Hong Kong will expire soon, the Group will relocate to the Property and use it as its office and warehouse.

The Directors are of the view that the acquisition of the Property is in the interest of the Company and the term of the Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

4. GENERAL

The transaction contemplated under the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Directors consider that upon completion of the acquisition of the Property, the asset portfolio of the Group will be enriched by approximately HK\$2,174,200. An approximately 40% and 60% of the consideration for the Property are expected to be funded by shareholder's loan and bank financing, respectively, the liability of the Group will be increased by approximately HK\$2,174,200.

5. ADDITIONAL INFORMATION

Your attention is drawn to the general information incorporated in the appendix of this circular.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

- (i) As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed 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 referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	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)	410,935,123	–	51.70%
Mr. Tao Ke Wei	Personal	1,917,095	–	0.24%
Mr. Tam Kai On	Personal	1,875,191	–	0.24%
Mr. Ko Chung Ting, Peter	Personal	1,791,383	–	0.23%

Note: Out of the interest, 407,123,869 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.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures or other securities of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 Part XV of the SFO (including interests or short positions which they were taken or deemed 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 referred to therein or which were required in the Listing Rules pursuant to Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

- (ii) Mr. Tam Jin Rong, Mr. Tam Kai On, Mr. Tao Ke Wei and Mr. Ko Chung Ting, Peter entered into service contracts with the Company for a period of three years commencing from 11th February, 2003, 1st June, 2003, 1st June, 2003 and 1st June, 2003, respectively (the “Service Contracts”) and their basic salary were amended to HK\$100,000, HK\$40,000, HK\$40,000 and HK\$60,000 per month, respectively, with effect from 30th April, 2004. The Services Contracts provided for a compensation payment for the remaining period under the Service Contracts from the Company for early termination by the Company during the term of Service Contracts.

Save as disclosed above, none of the Directors has entered into any service agreement with any member of the Group nor are there any other service agreements proposed which will not expire or be determinable by the Group within one year without payment of compensation (other than statutory compensation).

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, 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, or who are, directly or indirectly, deemed to be interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person’s interests in such securities, together with particulars of any options in respect of such capital were as follow:

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)	410,935,123	–	51.70%
Main Faith Limited	Beneficial	407,123,869	–	51.23%

Note: Out of the interest, 407,123,869 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.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware of any person, other than a Director or chief executive of the Company, who, as at the Latest Practicable Date, had any interest or short position in the Shares and 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, 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 or any options in respect of such capital.

4. LITIGATION

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

5. GENERAL

- (i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (ii) The head office and principal place of business of the Company is at Room 2806, 28th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (iii) The branch share registrars and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited located at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) The company secretary and qualified accountant of the Company is Ip Chi Wai. He is an associate member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (v) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.