SANYUAN GROUP LIMITED
三元集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 140)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER, 2008

RESULTS

The Board of Directors (the "Board") of Sanyuan Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008 together with the comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December, 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	3	**215,185**	165,676
Cost of sales		**(204,805)**	(159,192)
Gross profit		**10,380**	6,484
Other revenue	4	**1,311**	5,067
Other net income	4	**6,424**	7,295
Distribution costs		**(1,231)**	(840)
Administrative expenses		**(10,035)**	(9,367)
Profit from operations		**6,849**	8,639
Finance costs	5(a)	**(5,744)**	(3,813)
Profit before taxation	5	**1,105**	4,826
Income tax	6	**(735)**	(1,297)
Profit for the year		**370**	3,529

	Note	**2008**	2007
		HK$'000	*HK$'000*
Attributable to:			
Equity shareholders of the Company	*7*	**(600)**	2,657
Minority interests		**970**	872
Profit for the year		**370**	3,529
Dividends		**–**	–
(Loss)/earnings per share	*8*		
Basic and diluted		**(HK0.06 cents)**	HK0.28 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**931**	1,092
Current assets			
Inventories		**12,406**	7,036
Trade and other receivables	*9*	**91,712**	51,125
Pledged bank deposits		**1,181**	681
Cash and cash equivalents		**11,172**	8,328
		116,471	67,170
Current liabilities			
Bank borrowings		**27,667**	5,951
Trade and other payables	*10*	**57,945**	35,688
Convertible note		**28,912**	–
Provisions		**15,028**	14,964
Current taxation		**151**	918
		129,703	57,521
Net current (liabilities)/assets		**(13,232)**	9,649
Total assets less current liabilities		**(12,301)**	10,741
Non-current liabilities			
Convertible note		**–**	(24,880)
Net liabilities		**(12,301)**	(14,139)
Capital and reserves			
Share capital		**19,078**	19,078
Reserves		**(47,077)**	(47,082)
Total equity attributable to equity shareholders of the Company		**(27,999)**	(28,004)
Minority interests		**15,698**	13,865
Total equity		**(12,301)**	(14,139)

NOTES:

1. BASIS OF PREPARATION AND MATERIAL UNCERTAINTIES IN RESPECT OF GOING CONCERN

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(d) provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

(b) Material uncertainties in respect of going concern

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs. One underlying assumption under HKFRSs is that the financial statements are prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future.

The Group sustained a consolidated loss attributable to equity shareholders of the Company of approximately HK$600,000 (2007: profit of approximately HK$2,657,000) for the year ended 31 December 2008. At 31 December 2008, the Group had net current liabilities and net liabilities of approximately HK$13,232,000 (2007: net current assets of approximately HK$9,649,000) and approximately HK$12,301,000 (2007: approximately HK$14,139,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Nevertheless, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future. In the opinion of directors, the liquidity of the Group can be maintained in the coming year, after taking into account several measures adopted and to be adopted subsequent to the balance sheet date as further detailed below:

(i) Hong Jin Holdings Limited ("Hong Jin"), the parent and ultimate holding company of the Company in which former director Mr. Wu Kwai Yung held 70% beneficial interest, has agreed to extend the maturity date of convertible note with principal amount of HK$30,000,000 to not earlier than 30 September 2010, subject to the approval from the Stock Exchange and independent shareholders of the Company;

(ii) Hong Jin has committed to provide financial support to enable the Group to meet in full its liabilities as they fall due, both present and future;

(iii) Tianjin Jinshun Pharmaceutical Co., Ltd. ("Tianjin Jinshun"), the 60% subsidiary of the Group, is engaged in the trading of pharmaceutical products and the business of which formed the major business activities for the Group as a whole. The directors believe that the future cash flow generated from Tianjin Jinshun will sufficiently improve the liquidity and financial position and will help to maintain the Group's ability to continue as a going concern; and

(iv) the directors are planning to adopt various cost control measures to reduce various general and administrative and other operating expenses.

In the opinion of the directors, when the above-mentioned measures are successfully implemented, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to implement the above measures and fail to continue in business as a going concern, adjustments would have to be made to restate the values of its assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note to the financial statements.

(d) Application of new and revised Hong Kong financial reporting standards

In the current year, the Group has where applicable applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment is required.

The Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2008.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations[2]

HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]

1 *Effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS*

2 *Effective for annual periods beginning on or after 1 January 2009*

3 *Effective for annual periods beginning on or after 1 July 2009*

4 *Effective for annual periods beginning on or after 1 July 2008*

5 *Effective for annual periods beginning on or after 1 October 2008*

6 *Effective for transfers on or after 1 July 2009*

HKAS 1 Revised affects certain disclosures of the financial statements. Under the revised standard, the Profit and Loss Account is renamed as the "Income Statement", the Balance Sheet is renamed as the "Statement of Financial Position" and the Cash Flow Statement is renamed as the "Statement of Cash Flows". All income and expenses arising from transactions with non-owners (i.e., the non-owner movements of equity) are presented under the "Income Statement" and "Statement of Comprehensive Income", and the total carried to the "Statement of Changes in Equity", while the owner changes in equity are presented in the "Statement of Changes in Equity".

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control which will be accounted for as equity transaction.

The Company's directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT REPORTING

(a) Business segments

No separate analysis of financial information by business segments is presented as the Group's revenue, results, assets and liabilities were all derived from its principal line of business of pharmaceutical and healthcare business.

(b) Geographical segments

All of the activities of the Group are based in the PRC and all of the Group's turnover and (loss)/profit before taxation are derived from the PRC. Accordingly, no geographical segment information is presented.

3. TURNOVER

Turnover represents the sales value of goods supplied to customers and revenue arising on provision of laboratory testing services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008	2007
	HK$'000	*HK$'000*
Sales of pharmaceutical products	**215,185**	165,397
Laboratory testing services income	**–**	279
	215,185	165,676

4. OTHER REVENUE AND OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Other revenue		
Interest income	**483**	1,654
Total interest income on financial assets not at fair value through profit or loss	**483**	1,654
Guarantee income	**–**	3,028
Subsidy income	**206**	367
Consultancy income	**538**	–
Others	**84**	18
	1,311	5,067
Other net income		
Impairment loss reversed in respect of trade and other receivables	**–**	16
Gain on adjustment of amortised cost of convertible note	**–**	4,326
Gain on disposal of property, plant and equipment	**–**	105
Realised gain on disposal of financial assets at fair value through profit or loss	**–**	1,302
Waiver of balances by other payables	**261**	1,546
Waiver of amounts due to directors	**6,163**	–
	6,424	7,295

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

		2008	2007
		HK$'000	*HK$'000*
(a)	**Finance costs**		
	Interest on other borrowing wholly repayable within five years	**–**	26
	Interest on bank borrowings wholly repayable within five years	**1,712**	77
	Imputed interest on convertible note	**4,032**	3,698
	Other finance charges	**–**	12
	Total interest expense on financial liabilities not at fair value through profit or loss	**5,744**	3,813
(b)	**Staff costs**		
	Salaries, wages and other benefits	**1,962**	2,879
	Contributions to defined contribution retirement plans	**77**	79
		2,039	2,958
(c)	**Other items**		
	Auditor's remuneration		
	– audit services	**450**	500
	– other services	**250**	265
		700	765
	Cost of inventories	**204,805**	159,192
	Depreciation for property, plant and equipment	**270**	237
	Operation lease charges: minimum lease payments	**801**	934
	Net foreign exchange loss	**16**	389
	Property, plant and equipment written off	**–**	19

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**–**	–
PRC Enterprise Income Tax	**765**	1,047
	765	1,047
(Over)/underprovision in respect of prior years		
Hong Kong	**–**	–
PRC Enterprise Income Tax	**(30)**	250
	(30)	250
	735	1,297

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. No Hong Kong Profits Tax has been provided for in the financial statements as the Group has no assessable profits for the year (2007: HK$ Nil).

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any income tax in the British Virgin Islands.

The PRC subsidiary, Tianjin Jinshun is subject to PRC Enterprise Income Tax at 25% (2007: 33%).

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations has changed the tax rate from 33% to 25% for a subsidiary, from 1 January 2008.

(b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**1,105**	4,826
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**451**	1,383
Tax effect of non-deductible expenses	**1,042**	903
Tax effect of non-taxable income	**(1,085)**	(1,890)
Tax effect of deductible temporary differences not recognised in prior years	**(4)**	(13)
Tax effect of utilisation of unused tax losses not recognised in prior years	**–**	(1)
Tax effect of unused tax losses not recognised	**361**	665
(Over)/under provision in prior years	**(30)**	250
Actual tax expense	**735**	1,297

7. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of HK$1,791,000 (2007: HK$1,448,000) which has been dealt with in the financial statements of the Company.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$600,000 (2007: profit of HK$2,657,000) and the weighted average number of 953,906,963 ordinary shares (2007: 953,906,963 ordinary shares) in issue during the year.

(b) Diluted

Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share as there were no dilutive ordinary shares outstanding for both years presented.

9. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**88,899**	49,094
Less: allowance for doubtful debts	**(24)**	(24)
	88,875	49,070
Other receivables	**37**	74
Due from a minority shareholder of a subsidiary	**1,241**	–
Loans and receivables	**90,153**	49,144
Prepayments and deposits	**1,559**	1,981
	91,712	51,125

All of the trade and other receivables (including amount due from a minority shareholder of a subsidiary) are expected to be recovered within one year.

Included in trade receivables is HK$160,000 (2007: HK$266,000) and HK$297,000 (2007: HK$70,000) due from a minority shareholder of a subsidiary and a related company respectively.

Trade receivables are net of allowance for doubtful debts of HK$24,000 (2007: HK$24,000) with the following ageing analysis as of the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**62,244**	40,270
91 days to 180 days	**23,321**	5,551
181 days to 365 days	**2,571**	3,246
Over 365 days	**739**	3
	88,875	49,070

10. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade payables	**41,598**	17,926
Bills payable	**3,527**	1,231
Other payables and accruals	**6,805**	3,312
Amounts due to directors	**–**	2,921
Amounts due to minority shareholders of a subsidiary	**6,015**	10,298
Financial liabilities measured at amortised cost	**57,945**	35,688

All of the trade and other payables (including amounts due to related parties) are expected to be settled within one year or are repayable on demand.

Included in trade payables is HK$2,252,000 (2007: HK$234,000) due to a related company.

The following is an ageing analysis of trade payables as at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**33,238**	16,323
91 days to 180 days	**6,331**	970
181 days to 365 days	**1,408**	264
Over 365 days	**621**	369
	41,598	17,926

AUDITORS' OPINION EXTRACTED FROM AUDITORS' REPORT

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 1(b) which indicates that the Group incurred consolidated loss attributable to equity shareholders of the Company of HK$600,000 during the year ended 31 December 2008 and, as of that date, the Group reported consolidated net current liabilities of HK$13,232,000 and net liabilities of HK$12,301,000. These conditions, along with other matters as set forth in note 1(b), indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION & ANALYSIS

Overview

During 2008, keen competition in the pharmaceutical market still existed and tight supervision over the drug prices by the government in the PRC remained the same. Despite of these, the Group still experienced improvements in our operations but under slight pressure in our financial position during the year under review.

Financial Results

The 60% owned subsidiary of the Company in Tianjin, the PRC, Tianjin Jinshun Pharmaceutical Co., Ltd. ("Tianjin Jinshun") operated for a full calendar year. As a result, consolidated turnover recorded by the Group for the year ended 31 December 2008 was approximately HK$215,185,000 and increased by 29.9% from the previous year.

Administrative expenses increased by 7.1% to HK$10,035,000 (2007: HK$9,367,000) only, in spite of the impressive increase in turnover because of the various cost control measures adopted by the Company and the emoluments waived by certain Directors and managements.

Finance costs for the year ended 31 December 2008 was HK$5,744,000 (2007: HK$3,813,000) representing an increase of 50.6%. The increase was due to increase in bank borrowings to finance the PRC business.

Consolidated profit reported for the year was HK$370,000 as compared to a profit of HK$3,529,000 in 2007.

Loss per share for the year was HK(0.06) cents (2007: profit per share of HK0.28 cents).

Review of Operations

During the year under review, the Chinese government continued to strengthen supervision over drug prices and expanded the scope of drugs under government-set pricing. As drug manufacturers and distributors in the PRC have to comply with the existing pricing caps in dealing with the regulated drugs, competition became stiffer and profit margins were inevitably narrowed within the pharmaceutical industry.

In spite of the averse circumstances, the Group continued to distribute its existing products with resulted turnover increased to HK$215,185,000 which accounted for 100.0% (2007: 99.8%) of the total turnover of the Group.

During the year, there were no material acquisitions and disposals of subsidiaries and associates.

Liquidity and Financial Resources

As at 31 December 2008, the Group had total assets of approximately HK$117,402,000 (2007: HK$68,262,000), among which, HK$116,471,000 (2007: HK$67,170,000) were current assets comprised mainly of trade and other receivables of HK$91,712,000, bank balance and cash of HK$11,172,000.

Total liabilities of the Group amounted to approximately HK$129,703,000 (2007: HK$82,401,000). Among the total liabilities, HK$28,912,000 was the carrying amount of a HK$30 million zero-coupon convertible note (the "Note"). The Note was issued to Hong Jin Holdings Limited ("Hong Jin"), the controlling shareholder of the Company and will be mandatory and automatically converted into ordinary shares of the Company upon, inter alia, the trading of the shares of the Company resumes. On 23 April 2009, the maturity date of the Note has been further extended by Hong Jin to 30 September 2010. The other current liabilities included mainly bank borrowings of HK$27,667,000, trade and other payables of HK$57,945,000 and the provisions of HK$15,028,000 made in previous years for employee benefits and legal claims etc.

The financial position of the Group was under slight pressure during the year ended 31 December 2008. The gearing ratio (total liabilities as a percentage of total assets) decreased to 110.5% at the end of 2008 (As at 31 December 2007: 120.7%). Current ratio dropped from 116.8% to 89.8% as at 31 December 2008. Should the Note of HK$30,000,000 mentioned above be converted, the Group would probably improve from net liabilities position to net assets position.

Most of the sales, sales-related costs and expenses, and a portion of the assets and liabilities of the Group are denominated in Renminbi. Renminbi revenue and profit generated are applied to meet the Renminbi obligations of the Group. Other cash and cash equivalents, investments and borrowings of the Group were made in both Renminbi and Hong Kong dollars. As such, no financial instruments had been used for hedging purpose. During the year, the Group had not been exposed to any material exchange rate fluctuation.

Charges on Assets

As at 31 December 2008, certain assets of the Group with aggregate carrying value of approximately HK$34,252,000 were pledged to secure the Group's borrowing as compared to HK$6,710,000 as at 31 December 2007.

Employee Remuneration Policy and Number of Employees

As at 31 December 2008, the Group employed 40 employees in Hong Kong and the PRC. The remuneration policy and package, including the share options, of the Group's employees are maintained at competitive level and will be reviewed annually by the Remuneration Committee.

Outlook

The Group in the past participated as drug distributor in the PRC pharmaceutical market dispute the global financial crisis had enjoyed rapid growth of the industry. As the PRC pharmaceutical market is expected to grow continuously, the Group will continue to expand its operations in the pharmaceutical business.

The management notes that the profit margins of the distribution of pharmaceutical products had been slightly improved. In order to improve the profitability of the Group and strengthen its competitiveness in the market, it is believed that the development and distribution of its own pharmaceutical products will be the long-term strategy for the Group to pursue. The Group is currently identifying various pharmaceutical products with potential to be invested and collaborating to ensure growth and improve profit margins. In addition, the Group has preliminary negotiation with a medical factory in PRC and after discussion with our Financial Advisor, we would plan to have cooperation and/or merger with the factory in order to expand our vertical integration both in product nature and turnover volume. Our resumption proposal was under progressed actively in final stage and target completion in early June 2009. We expect our plan would have positive effect in our future profit forecast.

At the same time, the Company also solicits investors in making investments in and/or introducing new projects to the Group to assist its business to expand.

Trading in the shares of the Company has been suspended at the request of the Company since 13 May 2004. According to Rule 13.24 of the Listing Rules, the Company should carry out, directly or indirectly, a sufficient operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Stock Exchange to warrant the continued listing of its shares. A proposal was submitted to the Stock Exchange to warrant the Company's compliance with Rule 13.24. After reviewing the Company's proposal, the Stock Exchange decided that the proposal was not viable. The Company has applied to the Court of First Instance have the decision of the Stock Exchange reviewed, on 4 June, 2008 the court ordered the decision of the Listing Appeals Committee of the Stock Exchange to reject the Company's application for resumption of trading be quashed. The decision of the court is under appeal by the Stock Exchange. The Company is currently in the process of obtaining professional advice and discussing with its professional advisors on the appropriate actions to be taken by the Company to resolve the matter with the Stock Exchange in achieving the resumption of trading of its shares. Further announcement(s) will be made by the Company in respect of this matter as and when appropriate.

DIVIDENDS

No interim dividend was paid to the shareholders of the Company during the year.

The Board of the Company does not recommend the payment of any final dividend for the year ended 31 December 2008 (2007: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the accounting year covered by the annual report, except with the following deviation:

Code provision A.4.1 of the CG Code stipulates that the independent non-executive directors of the Company are not appointed for specific terms. However, all directors (executive and independent non-executive) are subject to retirement by rotation in accordance with the Company's Articles of Association. 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.

AUDIT COMMITTEE

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 audited financial statements for the year ended 31 December 2008.

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditors, CCIF CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December, 2008. The work performed by CCIF CPA limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the preliminary announcement.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2008.

DIRECTORS

As at the date of this announcement, the Executive Directors are Mr. Tso Hon Sai Bosco, Mr. Yim Kai Pung, Mr. Liu Kwok Leung Paul and Mr. Zhao Tie Liu and three independent non-executive Directors, namely Mr. Wong Ting Kon, Mr. Xu Zhi and Mr. Xu Quing Fah.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Company for the year ended 31 December 2008 will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange (www.hkex.com.hk) in due course.

By order of the Board
Sanyuan Group Limited
Tso Hon Sai Bosco
Executive Director

Hong Kong, 30 April, 2009