SANYUAN GROUP LIMITED
三元集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock code: 140)

2007 INTERIM RESULTS

The board of directors (the "Board") of Sanyuan Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2007

	Note	**Six months ended 30 June 2007** ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2006 *HK$'000* (Unaudited) (Restated)
Turnover	*4*	**76,302**	73,669
Cost of sales		**(73,411)**	(70,194)
Gross profit		**2,891**	3,475
Other revenue	*4*	**4,142**	5,078
Selling and distribution costs		**(336)**	(266)
General and administrative expenses		**(4,887)**	(5,007)
Other operating expenses		**–**	(176)
Operating profit		**1,810**	3,104
Finance costs	*5*	**(1,817)**	(2,653)
(Loss)/profit before income tax	*6*	**(7)**	451
Income tax	*7*	**(833)**	(566)
Loss for the period		**(840)**	(115)
(Loss)/profit attributable to:			
Equity holders of the Company	*8*	**(1,517)**	(575)
Minority interests		**677**	460
		(840)	(115)
Dividends		**–**	–
Loss per share for loss attributable to the equity holders of the Company during the period	*9*		
– basic		**(HK$0.16 cents)**	(HK$0.06 cents)
– diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Note	At 30 June 2007 HK$'000 (Unaudited)	At 31 December 2006 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**911**	549
Available-for-sale investments		**–**	–
		911	549
Current assets			
Inventories		**7,978**	4,781
Trade and other receivables	*10*	**47,152**	30,522
Loan receivable		**4,105**	–
Financial assets at fair value through profit or loss		**–**	272
Cash and cash equivalents		**4,293**	13,230
		63,528	48,805
Current liabilities			
Trade and other payables	*11*	**40,809**	25,773
Other borrowing		**–**	1,444
Convertible note		**28,326**	26,544
Provisions		**14,964**	17,402
Tax payable		**724**	134
		84,823	71,297
Net current liabilities		**(21,295)**	(22,492)
Net liabilities		**(20,384)**	(21,943)
Capital and reserves attributable to the equity holders of the Company			
Share capital		**19,078**	19,078
Reserves		**(53,410)**	(52,409)
		(34,332)	(33,331)
Minority interests		**13,948**	11,388
Total equity		**(20,384)**	(21,943)

NOTES

1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2007 are unaudited, but have been reviewed by CCIF CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, whose independent review report is included in the interim report to be sent to the shareholders of the Company. The interim results have also been reviewed by the Audit Committee of the Company.

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

(a) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting". The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006 as described in the annual financial statements for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations are mandatory for financial year ended 31 December 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the above new standards, amendments to standards and interpretations did not have any significant impacts to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted. The directors anticipate that the adoption of these standards, amendments to standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKFRS 8	Operating Segments
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HKAS 23 (Revised)	Borrowing Costs

(b) MATERIAL UNCERTAINTIES IN RESPECT OF GOING CONCERN

The Group sustained consolidated loss attributable to equity holders of the Company of HK$1,517,000 (Six months ended 30 June 2006: HK$575,000) for the period ended 30 June 2007. At 30 June 2007, the Group had consolidated net current liabilities of HK$21,295,000 (At 31 December 2006: HK$22,492,000), net liabilities of HK$20,384,000 (At 31 December 2006: HK$21,943,000) and provisions of HK$14,964,000 (At 31 December 2006: HK$17,402,000).

Notwithstanding going concerns and liquidity concerns arising from the consolidated net current liabilities as at 30 June 2007, the unaudited condensed consolidated interim 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 the 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 Mr. Wu Kwai Yung held 70% beneficial interest, had provided an irrevocable guarantee in which the Company and Hong Jin agreed to extend the maturity date of convertible note with principal amount of HK$30,000,000 to not earlier than 7 December 2008, subject to the approval from The Stock Exchange of Hong Kong Limited 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) the directors are currently looking into the cases in respect of the provision and seeking legal advice as to the possible outcome and appropriate course of action to be taken in relation to these two cases with the provisions of HK$14,850,000 already provided as at the balance sheet date; 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, in light of the measures adopted, together with the expected results of other measures and arrangements in progress and as planned, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. In addition, Tianjin Jinshun Pharmaceutical Co., Ltd. ("Tianjin Jinshun"), the 60% subsidiary of the Group, is engaged in 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 funding generated from Tianjin Jinshun will sufficiently improve the financial and cash flow position and maintain the Group's ability to continue as a going concern. Accordingly, the directors are of the view that it is appropriate to prepare the unaudited condensed consolidated interim financial statements on a going concern basis.

Should the Group be unable to achieve the above and fail to continue in business as a going concern, adjustments would have to be made to restate the values of the 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 unaudited condensed consolidated interim financial statements.

3. **SEGMENT INFORMATION**

(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

The Group's operations are located in Hong Kong and Mainland China. The analysis of the Group's sales by geographic segment is as follows:

	Six months ended 30 June					
	Hong Kong		**Mainland China**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:						
Sales to external customers	**279**	610	**76,023**	73,059	**76,302**	73,669
Segment results	**(2,532)**	(1,264)	**1,015**	689	**(1,517)**	(575)

4. **TURNOVER AND OTHER REVENUE**

Turnover and other revenue recognised during the periods are as follows:

	Six months ended 30 June 2007 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2006 *HK$'000* (Unaudited)
Turnover		
Sales and distribution of pharmaceutical products	**76,023**	73,059
Laboratory testing service income	**279**	610
	76,302	73,669
Other revenue		
Reversal of impairment on trade receivables	**14**	–
Gain on disposal of property, plant and equipment	**86**	–
Gain on adjustment of the amortised cost of convertible note	**–**	3,375
Realised gain on disposal of financial assets at fair value through profit or loss	**1,302**	–
Interest income	**1,560**	135
Guarantee income earned	**1,107**	1,333
Subsidy income	**61**	–
Other income	**12**	235
	4,142	5,078
Total	**80,444**	78,747

Turnover represents the net invoiced value of goods sold, after allowances for trade discounts and returns.

5. FINANCE COSTS

	Six months ended 30 June 2007 *HK$'000* **(Unaudited)**	Six months ended 30 June 2006 *HK$'000* (Unaudited)
Imputed interest on convertible note	**1,782**	2,559
Other finance charges	**35**	94
	1,817	2,653

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is stated after charging/(crediting) the following:

	Six months ended 30 June 2007 *HK$'000* **(Unaudited)**	Six months ended 30 June 2006 *HK$'000* (Unaudited)
Staff costs, excluding directors' remuneration:		
Salaries, wages and allowances	**1,134**	1,538
Contributions to retirement benefit schemes	**46**	57
	1,180	1,595
Auditors' remuneration		
Audit fees		
– Current year	**–**	–
– Under provision in prior years	**58**	–
Non-audit fees	**207**	220
	265	220
Depreciation	**110**	169
Guarantee income paid	**–**	176
Minimum lease payments under an operating lease in respect of land and buildings	**559**	695
Exchange loss, net	**112**	–

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months period ended 30 June 2007 and 2006. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Taxation in the condensed consolidated income statement represents:

	Six months ended 30 June 2007 *HK$'000* **(Unaudited)**	Six months ended 30 June 2006 *HK$'000* (Unaudited)
Hong Kong profits tax	**–**	–
PRC income tax	**833**	566
Income tax	**833**	566

The Group did not have any significant unprovided deferred income tax in respect of the six months period ended 30 June 2007 and 2006.

8. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the unaudited condensed consolidated interim financial statements of the Company to the extent of HK$1,517,000 (Six months ended 30 June 2006: HK$575,000).

9. LOSS PER SHARE

(a) Basic

The calculation of basic loss per share for the period ended 30 June 2007 was based on the consolidated loss for the period attributable to equity holders of the Company of HK$1,517,000 (Six months ended 30 June 2006: HK$575,000) and the weighted average of 953,906,963 shares (Six months ended 30 June 2006: 953,906,963 shares) in issue during the period.

(b) Diluted

Diluted loss per share amount for the six months period ended 30 June 2007 and 2006 has not been disclosed as the potential ordinary shares outstanding during the periods had an anti-dilutive effect on the basic loss for the periods.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2007 HK$'000 (Unaudited)	At 31 December 2006 HK$'000 (Audited)
Trade receivables *(Note (a))*	**44,160**	30,212
Less: Provision for impairments	**(26)**	(40)
	44,134	30,172
Other receivables, deposits and prepayments	**3,018**	350
	47,152	30,522

Note:

(a) The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period ranging from 30 to 180 days (At 31 December 2006: 30 to 180 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The ageing analysis of the trade receivables is as follows:

	At 30 June 2007 HK$'000 (Unaudited)	At 31 December 2006 HK$'000 (Audited)
Within 90 days	**30,349**	20,337
91 days to 180 days	**5,179**	8,023
181 days to 365 days	**5,186**	1,819
Over 365 days	**3,446**	33
	44,160	30,212

Included in trade receivables is HK$269,000 (At 31 December 2006: HK$81,000) due from one (At 31 December 2006: one) minority shareholder of a subsidiary.

11. TRADE AND OTHER PAYABLES

	At 30 June 2007 HK$'000 (Unaudited)	At 31 December 2006 HK$'000 (Audited)
Trade payables *(Note (a))*	**22,635**	15,386
Other payables and accruals	**4,744**	4,589
Due to directors	**3,020**	847
Due to minority shareholders of a subsidiary	**10,410**	4,951
	40,809	25,773

Note:

(a) The ageing analysis of the trade payables is as follows:

	At 30 June 2007 HK$'000 (Unaudited)	At 31 December 2006 HK$'000 (Audited)
Within 90 days	**19,320**	13,532
91 days to 180 days	**2,703**	1,437
181 days to 365 days	**492**	302
Over 365 days	**120**	115
	22,635	15,386

Included in trade payables is HK$11,000 (At 31 December 2006: HK$615,000) due to one (At 31 December 2006: one) minority shareholder of a subsidiary.

AUDITORS' REVIEW CONCLUSION EXTRACTED FROM INDEPENDENT REVIEW REPORT

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Without qualifying our review conclusion, we draw attention to note 2(b) which indicates that the Group incurred consolidated loss attributable to equity holders of the Company of HK$1,517,000 during the period ended 30 June 2007 and, as of that date, the Group reported consolidated net current liabilities of HK$21,295,000 and net liabilities of HK$20,384,000. These conditions, along with other matters as set forth in note 2(b), indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

During the first half of 2007, the Group encountered keen competition in the pharmaceutical market and tight supervision over the drug prices by the government in the PRC. Despite these adverse conditions, the Group still saw improvements in level of operations and financial position during the period under review.

Financial results

For the period ended 30 June 2007, the Group achieved a turnover of approximately HK$76,302,000 representing an increase of approximate 3.6% as compared to HK$73,669,000 for the period ended 30 June 2006. As there was keener competition in the pharmaceutical market and wider governmental control over drug prices in the period under review, the cost of sales of the Group increased by 4.6% and squeezed the profit margins of the Group.

During the corresponding period in 2006, the controlling shareholder of the Company exercised its discretion to extend the maturity date of a HK$30 million zero-coupon convertible note (the "Note") by one year. As a result of such extension, the Group recorded a gain on adjustment of amortised cost of the convertible note of HK$3,375,000 in the first half of 2006. As there was no such gain in the current period, other revenue dropped by about 18.4% or HK$936,000 for the six months ended 30 June 2007. Other revenue for the current period amounted to HK$4,142,000 which included mainly a guarantee income receivable from two minority shareholders of Tianjin Jinshun in the amount of HK$1,107,000, an interest income of HK$1,560,000 and a gain on disposal of financial assets of HK$1,302,000.

The Group continued to take measures to control its general and administrative expenses. The total staff cost including directors' remuneration decreased from HK$2,270,000 for the six months ended 30 June 2006 to HK$1,588,000 for the same period in 2007 and a reduction of staff cost by 30.0% was resulted.

In May 2007, the Group moved into a new office of lower rental cost. As a result, the Group saved about 19.6% on rental expenses which amounted to HK$559,000 (Six months ended 30 June 2006: HK$695,000) for the first half of 2007. Though the Group had reduced the expenses in respect of staff cost and rental expenses during the period under review, the reduction was offset by the increase in professional fees in relating to the application for resumption of trading of its shares by the Company. As such, the overall decrease in general and administrative expenses of the Group was approximate HK$120,000 or 2.4% in the current period.

Finance costs for the six months ended 30 June 2007 included mainly the imputed interest incurred on the Note for which there is no actual payment and it is a mere book-entry. The total amount of finance costs incurred in the current period was HK$1,817,000 (Six months ended 30 June 2006: HK$2,653,000) represented a decrease of 31.5% or HK$836,000 as compared to the corresponding period in 2006. Because of the imputed interest recorded on the Note, operating profit of the Group of HK$1,810,000 (Six months ended 30 June 2006: HK$3,104,000) turned into a loss before income tax of HK$7,000 (Six months ended 30 June 2006: profit before income tax of HK$451,000) during the period under review.

Unaudited consolidated loss for the period was HK$840,000 as compared to a loss of HK$115,000 for the same period in 2006. The increase of HK$725,000 in consolidated loss was mainly attributed to the profit margins narrowed by keen market competition and tight governmental control over drug prices as well as the decrease in other revenue of the Group as mentioned above.

Loss per share for the period was 0.16 HK cents (Six months ended 30 June 2006: 0.06 HK cents) because of the loss recorded for the period.

Review of operations

The PRC

During the period 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 adverse circumstances, the Group continued to distribute its existing products and generated approximately HK$76,023,000 for the first half of 2007 which accounted for 99.6% of the total turnover of the Group (Six months ended 30 June 2006: 99.2%).

Hong Kong

The Group was reviewing and restructuring its pharmaceutical and healthcare business during the review period to enhance the performance of this business segment. Preliminary exploration and negotiation with certain local hospitals in central China of setting up testing laboratories and provision of DNA testing services have been started and undergoing. As the business was under restructuring process, it contributed about HK$279,000 in the first half of 2007 and accounted for approximately 0.4% (Six months ended 30 June 2006: 0.8%) of the total turnover of the Group.

During the six months ended 30 June 2007, there were no material acquisitions and disposals of subsidiaries and associates.

Liquidity and financial resources

Total assets of the Group increased to approximately HK$64,439,000 as at 30 June 2007 (At 31 December 2006: HK$49,354,000). Among the total assets, HK$63,528,000 (At 31 December 2006: HK$48,805,000) were current assets including trade and other receivables of HK$47,152,000, loan receivable of HK$4,105,000, bank balances and cash of HK$4,293,000 and inventories of HK$7,978,000.

At 30 June 2007, the Group had total liabilities of HK$84,823,000 (At 31 December 2006: HK$71,297,000) and all of them were of current nature. Current liabilities of the Group as at the balance sheet date included the Note of HK$30 million (the carrying amount of which was HK$28,326,000) held by the controlling shareholder of the Company. The Note will be matured on 7 December 2007 and is to be converted to new shares at HK$0.17 each upon the resumption of trading of the Company's shares. In addition to the Note, current liabilities was also comprised of trade and other payables of HK$40,809,000 and provisions of HK$14,964,000. As at the balance sheet date, the Group did not have any bank or other borrowings (At 31 December 2006: HK$1,444,000).

Gearing ratio (total liabilities as a percentage of total assets) of the Group decreased to 131.6% of the current period (At 31 December 2006: 144.5%). Current ratio improved from 68.5% as at 31 December 2006 to 74.9% as at 30 June 2007.

At the period end, the Group had capital deficiency of HK$20,384,000 (At 31 December 2006: HK$21,943,000). Should the Note be converted, the Group's net liabilities position will be reverted 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, and investments of the Group were made in Hong Kong dollars. As such, no financial instruments had been used for hedging purpose. During the period, the Group had not been exposed to any material exchange rate fluctuation.

Charges on assets

As at 30 June 2007, the Group pledged the bank deposits of HK$50,000 (At 31 December 2006: HK$50,000) to secure a corporate credit card account and pledged certain financial assets with a carrying amount of HK$Nil (At 31 December 2006: HK$255,000) to secure borrowing granted to the Group.

Employee remuneration policy and number of employees

As at 30 June 2007, the Group engaged 59 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 reviewed annually by the Remuneration Committee.

Contingent liabilities

As at 30 June 2007, the Group did not have any significant contingent liabilities.

Prospects

The Group in the past participated as drug distributor in the PRC pharmaceutical market and had enjoyed the 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 narrowed by keen competition and stringent government pricing policy. In order to improve the profitability of the Group and strengthen its competitiveness in the market, it is believed that 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 with certain medical institutes in launching the DNA testing services/products in the PRC.

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 of 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 shall 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 demonstrate 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 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 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.

AUDIT COMMITTEE

The Audit Committee has three members including Mr. Zhou Haijun, Mr. Ng Wai Hung and Mr. Xu Zhi, all of them are independent non-executive directors.

The Audit Committee of the Company has reviewed with the 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 financial report. The interim financial report has not been audited. At the request of the directors, the Group's external auditors have carried out a review of the unaudited interim financial report.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2007 (Six months ended 30 June 2006: 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 period ended 30 June 2007.

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 period covered by the interim report, except with the following deviations:

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.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the Annual General Meeting. Owing to an important commitment overseas, the chairman of the board of the Company, Mr. Wu Kwai Yung, has given an apology for not presiding the 2007 Annual General Meeting. Hence, he has appointed the Managing Director, Mr. Zhao Tie Liu to preside the 2007 Annual General Meeting on his behalf. The chairman of the board of the Company, Mr. Wu, will endeavor to attend future Annual General Meetings of the Company unless any exceptional circumstances occur.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to 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 accounting period covered by the interim report.

DIRECTORS

As at the date of this announcement, the Board comprises six Directors: Mr. Wu Kwai Yung, Mr. Zhao Tie Liu and Mr. Leung Hon Man are the Executive Directors; Mr. Zhou Haijun, Mr. Ng Wai Hung and Mr. Xu Zhi are the Independent Non-Executive Directors.

PUBLICATION OF FINANCIAL INFORMATION

The interim report of the Company for the six months ended 30 June 2007 will be despatched 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
Wu Kwai Yung
Chairman

Hong Kong, 25 September 2007