

INDEPENDENT REVIEW REPORT

RSM Nelson Wheeler

羅 申 美 會 計 師 行

Certified Public Accountants

TO THE BOARD OF DIRECTORS OF SANYUAN GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 12 to 22.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with the Statement of Auditing Standards 700 ("SAS 700") "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

FUNDAMENTAL UNCERTAINTY

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in the interim financial report concerning the basis of preparation of the interim financial report adopted by the directors. As explained in note 1 to the interim financial report, the Group had capital deficiency of HK\$21,173,000 at 30 June 2006. The interim financial report has been prepared on a going concern basis, the validity of which depends upon the continuous financial

support by the Group's ultimate holding company at a level sufficient to finance the Group's current activities. The Group's ultimate holding company has confirmed its willingness to finance the Group's current activities. Moreover, as stated in note 8 to the interim financial report, the Group's ultimate holding company has extended the maturity date of the HK\$30,000,000 convertible note from 7 December 2006 to 7 December 2007. The circumstances relating to this fundamental uncertainty are described in note 1 to the interim financial report. We consider that the fundamental uncertainty has been adequately disclosed in the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 June 2005 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

27 September 2006