

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 1. GENERAL

The Company was incorporated in Hong Kong. Its ordinary shares are listed on The Stock Exchange of Hong Kong Limited.

## 2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new or revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

A summary of the principal accounting policies adopted by the Group is set out below.

### Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by the marking to market of certain other investments as explained in the accounting policies set out below.

### Preparation of financial statements

Following the completion of share subscription agreement and payment of the settlement sums pursuant to the settlement agreements with Bank of China (Hong Kong) Limited ("BOC") and a finance company, the net liabilities of the Group was reduced to approximately HK\$47,946,000 as at 31 December 2004. The Group is actively exploring and pursuing plans for acquiring future profitable operations and obtaining sources of future funding and the directors believe that these plans will finally be put into place. Accordingly, the financial statements have been prepared on a going concern basis.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or negative goodwill, which have not been previously charged or recognised in the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries. Losses attributable to minority shareholders of partly owned subsidiaries are accounted for based on the respective equity owned by the minority shareholders up to the capital contributed by and other reserves attributable to the minority shareholders. Thereafter, the Group assumes all further losses.

### Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is an enterprise in which the Company, directly or indirectly, holds more than half of the voting power or issued share capital, or controls the composition of the board of directors or equivalent governing body. In the Company's balance sheet, the investments in subsidiaries are stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The consolidated income statement includes the Group's share of the results of the associate for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associate, net of accumulated amortisation and impairment losses.

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or an associate at the date of acquisition. When the terms of an acquisition provide for a subsequent adjustment of the purchase consideration, such adjustment will be treated as addition to or reduction in the cost of acquisition when it becomes probable and a reliable estimate can be made. Goodwill on acquisition is recognised as an asset and is amortised on a straight-line basis over its useful economic life not more than 5 years.

The carrying amount of goodwill is reviewed annually and written down for impairment losses. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, and on the following basis:

Laboratory testing service income is recognised in the period when services are rendered.

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Rental income is recognised in the period in which the properties are let out and on a straight-line basis over the lease terms.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as income or expense in the income statement.

Depreciation is provided to write off the cost or valuation less accumulated impairment losses of property, plant and equipment, over their estimated useful lives from the date on which they become fully operational and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over lease terms
Machinery and equipment	24%
Motor vehicles	20%
Furniture and fixtures	20% – 30%

### Investment in securities

Investments held on a continuing basis with an identified long-term purpose are classified as investment securities, which are stated at cost less any provision for impairment losses that is expected to be other than temporary.

The carrying amount of individual investment securities, or holdings of the same securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments will be reduced to its fair value. The impairment loss is recognised as an expense in the period in which the decline occurs. The impairment loss is written back to income when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Other investments are stated in the balance sheet at their fair values. Changes in fair values are recognised in the income statement as they arise.

The profits or losses on disposal of investment securities and other investments are accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the securities.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its tangible and intangible assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

### Foreign currencies

Transactions involving foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

### Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

No deferred tax is provided for temporary differences arising from goodwill/negative goodwill and investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable and receivable under operating leases are recognised as an expense and revenue on the straight-line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### Cash equivalents

For the purpose of cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

### Employee benefits

#### Defined contribution plans

The obligations for contributions to defined contribution Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Company in an independently administered fund.

### Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. For example, segment assets may include, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Segment reporting (Continued)

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

## 3. TURNOVER AND REVENUE

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in property investment, pharmaceuticals and healthcare.

Turnover and revenue recognised by category are analysed as follows:

	2004 HK\$'000	2003 HK\$'000	
<b>Turnover</b>			
Rental income	–	306	
Laboratory testing service income	1,169	1,049	
	<u>1,169</u>	<u>1,355</u>	Annual Report 2004 <b>31</b>
<b>Other revenue</b>			
Interest income	–	13	
<b>Revenue</b>	<u>1,169</u>	<u>1,368</u>	Sanyuan Group Limited

## 4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging (crediting):

	2004 HK\$'000	2003 HK\$'000
<b>(a) Finance costs</b>		
Interest on bank overdrafts and borrowings wholly repayable within five years	9,332	29,258
Interest on other borrowings	309	192
	<u>9,641</u>	<u>29,450</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(Continued)*

	2004 HK\$'000	2003 HK\$'000
<b>(b) Other items</b>		
Contributions to defined contribution plans	108	131
Auditors' remuneration	390	414
Operating lease charges on premises	581	1,055
Holding gain on other investments	(217)	(41)
Rental income (gross: HK\$Nil (2003: HK\$306,000)) net of outgoings from operating leases on investment properties	-	(57)
	<u>          </u>	<u>          </u>

## 5. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	2004 HK\$'000	2003 HK\$'000
Fees	160	80
Salaries, other emoluments and other benefits in kind	3,229	3,301
Retirement scheme contributions	28	24
	<u>          </u>	<u>          </u>
	<u>3,417</u>	<u>3,405</u>

Included in the directors' emoluments were fees of HK\$160,000 (2003: HK\$80,000) paid to two independent non-executive directors during the year.

The Company's executive directors were entitled to discretionary bonus. For the year ended 31 December 2004, no discretionary bonus was paid.

The emoluments of directors are within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	6	3
HK\$2,000,001 to HK\$2,500,000	1	1
	<u>          </u>	<u>          </u>
	<u>7</u>	<u>4</u>

There was no arrangement under which director waived or agreed to waive any remuneration during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the year.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 5. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

The five highest-paid individuals of the Group for the year included 2 directors whose emoluments have been disclosed above. The emoluments of these individuals other than directors are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries, allowances and benefits in kind	1,119	1,152
Retirement scheme contributions	35	35

The emoluments of the 3 highest-paid individuals other than directors fell within the HK\$Nil – HK\$1,000,000 band.

## 6. TAXATION

	The Group	
	2004 HK\$'000	2003 HK\$'000
Hong Kong Profits Tax:		
Overprovision in prior years	–	(6)

Hong Kong Profits Tax has not been provided as the Group incurred losses for taxation purposes for the year.

	2004 HK\$'000	2003 HK\$'000
<b>Reconciliation of tax expense</b>		
Profit from ordinary activities before taxation	216,257	96,530
Income tax at applicable tax rate of 17.5% (2003: 17.5%)	37,845	16,893
Non-deductible expenses	3,317	3,592
Tax exempt revenue	(41,169)	(23,026)
Unrecognised tax losses	1,808	2,635
Unrecognised temporary differences	27	36
Utilisation of previously unrecognised tax losses	(1,828)	(130)
Overprovision in prior year	–	(6)
Tax income for the year	–	(6)

The applicable tax rate is the Hong Kong Profits Tax rate of 17.5% (2003: 17.5%).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders includes a profit of approximately HK\$7,527,000 (2003: HK\$108,548,000) which has been dealt with in the financial statements of the Company.

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2004 was based on the consolidated profit of approximately HK\$217,547,000 (2003: HK\$96,232,000) and the weighted average of 473,668,922 shares (2003: 310,071,347 shares) in issue during the year.

No diluted earnings per share is presented as there were no dilutive potential ordinary shares in issue for the years 2004 and 2003.

## 9. PROPERTY, PLANT AND EQUIPMENT

### (a) The Group

	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements, furniture and fixtures HK\$'000	Total HK\$'000
<b>Cost or valuation</b>				
At beginning of year	115	245	1,737	2,097
Additions	–	–	576	576
Disposals/write-off	(115)	(245)	(329)	(689)
<b>At balance sheet date</b>	<b>–</b>	<b>–</b>	<b>1,984</b>	<b>1,984</b>
<b>Accumulated depreciation</b>				
At beginning of year	97	245	1,331	1,673
Charge for the year	3	–	318	321
Eliminated on disposals/write-off	(100)	(245)	(308)	(653)
<b>At balance sheet date</b>	<b>–</b>	<b>–</b>	<b>1,341</b>	<b>1,341</b>
<b>Net book value</b>				
<b>At balance sheet date</b>	<b>–</b>	<b>–</b>	<b>643</b>	<b>643</b>
At beginning of year	18	–	406	424

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 9. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The Company

	Motor vehicles HK\$'000	Leasehold improvements, furniture and fixtures HK\$'000	Total HK\$'000
<b>Cost</b>			
At beginning of year	245	445	690
Additions	–	280	280
Disposals/write-off	(245)	(87)	(332)
<b>At balance sheet date</b>	<b>–</b>	<b>638</b>	<b>638</b>
<b>Accumulated depreciation</b>			
At beginning of year	245	305	550
Charge for the year	–	115	115
Elimination on disposals/write-off	(245)	(66)	(311)
<b>At balance sheet date</b>	<b>–</b>	<b>354</b>	<b>354</b>
<b>Net book value</b>			
<b>At balance sheet date</b>	<b>–</b>	<b>284</b>	<b>284</b>
At beginning of year	–	140	140

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# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 10. GOODWILL

	Positive goodwill HK\$'000	Negative goodwill HK\$'000	Total HK\$'000
At beginning of year			
Cost	30,329	(71)	30,258
Accumulated amortisation and impairment losses	(30,329)	71	(30,258)
Opening carrying amount	–	–	–
Cost written off on disposal	(30,329)	–	(30,329)
Accumulated amortisation and impairment loss transferred to income statement on disposal	30,329	–	30,329
<b>Closing carrying amount</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>At balance sheet date</b>			
Cost	–	(71)	(71)
Accumulated amortisation and impairment losses	–	71	71
<b>Closing carrying amount</b>	<b>–</b>	<b>–</b>	<b>–</b>

## 11. INTEREST IN SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
<b>The Group</b>		
<b>Unconsolidated subsidiaries:</b>		
Unlisted shares, at cost	–	66,306
Loans to subsidiaries	–	25,900
	–	92,206
Less: Provisions	–	(92,206)
	–	–

On 29 January 2003, a Company's subsidiary which operations were terminated in 2001 received a court order in respect of a creditor winding up and the subsidiary was subsequently taken over by the provisional liquidators. As the Group could no longer exercise any control over the subsidiary and its subsidiaries, these companies were deconsolidated from the Group's financial statements with effect from 29 January 2003 and classified as unconsolidated subsidiaries in the Group's financial statements. As a result of the deconsolidation, the excess of liabilities over assets of the unconsolidated subsidiaries as at 29 January 2003 of approximately HK\$15,378,000 was reversed and credited to the income statement in 2003. The costs and provisions of interest in these subsidiaries have been written off during the year on completion of the winding up.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 11. INTEREST IN SUBSIDIARIES (Continued)

The Company	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	1,000	84,512
Loans to subsidiaries	121,974	708,343
	122,974	792,855
Less: Provisions	(122,974)	(792,110)
	—	745

Loans to subsidiaries are unsecured, interest-free and have no pre-determined repayment terms. The Company has agreed not to demand repayment from the subsidiaries before 1 January 2006.

During the year, the Group disposed of 49 subsidiaries for a total consideration of HK\$130. Gain on disposal in the amount of HK\$21,492,000 has been included as an income in the income statement.

Details of the subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid capital	Percentage of capital held by the Company		Principal activities
			Directly	Indirectly	
Beadle International Limited	British Virgin Islands	US\$1	100%	—	Dormant
Brilliant Team Investment Limited	Hong Kong	HK\$2	100%	—	Investment holding
GenePro Medical Biotechnology Limited	Hong Kong	HK\$1,000,000	100%	—	DNA testing services
Infinity Properties Limited	Hong Kong	HK\$2	—	100%	Inactive
Jet Quarter Limited	Hong Kong	HK\$2	—	100%	Inactive
Kimpo Investment Limited	Hong Kong	HK\$2	100%	—	Investment holding
Ontex Investment Limited	Hong Kong	HK\$2	100%	—	Investment holding
Propland Limited	Hong Kong	HK\$2	—	100%	Inactive
V & O Company Limited	Hong Kong	HK\$2	—	100%	Inactive

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 12. INTEREST IN AN ASSOCIATE

	2004 HK\$'000	2003 HK\$'000
Share of net assets	–	49
Due to an associate	–	(4)
	<u>–</u>	<u>45</u>

During the year, the Group disposed of its 20% interest in the issued ordinary share capital of an associate, Biosonic Limited, for a consideration of HK\$1. Loss on disposal of the associate in the amount of HK\$1,000 has been included as an expense in the income statement.

## 13. OTHER INVESTMENTS

	The Group and the Company	
	2004 HK\$'000	2003 HK\$'000
At fair value:		
Equity securities listed in Hong Kong	<u>581</u>	<u>427</u>

## 14. TRADE AND OTHER RECEIVABLES

		The Group		The Company	
	Note	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Trade receivables</b>	14(a)	<u>136</u>	145	–	–
<b>Other receivables</b>					
Deposits, prepayment and other debtors		644	5,136	581	4,020
Due from a related company	14(b)	5	45	–	–
		<u>649</u>	5,181	<u>581</u>	4,020
		<u>785</u>	<u>5,326</u>	<u>581</u>	<u>4,020</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 14. TRADE AND OTHER RECEIVABLES (Continued)

### 14(a) TRADE RECEIVABLES

The Group provides term credit to customers in accordance with the Group's established credit policies of 30 days (2003: 30 days). The ageing analysis of trade receivables is as follows:

	2004 HK\$'000	2003 HK\$'000
Within 1 month	110	76
1 – 2 months	7	39
2 – 3 months	3	–
3 – 6 months	–	1
6 – 12 months	5	2
Over 1 year	11	27
	<b>136</b>	<b>145</b>

### 14(b) DUE FROM A RELATED COMPANY

This represents amount due from ReliaLab Medical Laboratory & X-Ray Centre Limited ("ReliaLab"). Dr. Wan Kwong Kee, a director of the Company, and Dr. Chow Wing Cho, a director of a wholly-owned subsidiary of the Company, are also directors and indirect shareholders of ReliaLab. The amount due is unsecured, interest-free and has no fixed repayment terms. The maximum amount outstanding during the year was HK\$63,000 (2003: HK\$45,000). At the balance sheet date, provision of HK\$57,000 (2003: Nil) had been made in respect of the outstanding balance.

## 15. BORROWINGS

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank borrowings (note 15(a))				
Bank overdrafts				
– unsecured	–	50,606	–	32,909
Trust receipts bank loans				
– unsecured	–	17,404	–	–
Other bank borrowings				
– unsecured	9,570	90,553	–	–
Other borrowings (note 15(b))	1,355	3,684	1,355	1,294
	<b>10,925</b>	<b>162,247</b>	<b>1,355</b>	<b>34,203</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 15. BORROWINGS (Continued)

### 15(a) BANK BORROWINGS

Immediate before the settlement of the indebtedness due to BOC, the Group was indebted to BOC totalling HK\$262,616,000, representing (i) HK\$34,527,000 of bank borrowings originally secured on properties held by former subsidiaries sold to Singapore Hong Kong Properties Investment Limited ("SPI"), now renamed Landune International Limited and (ii) HK\$ 228,089,000 related to other bank borrowings raised by the Group. On 31 December 2003, SPI entered into a settlement agreement with BOC ("the SPI Settlement Agreement") whereby approximately HK\$34,527,000 of the indebtedness owed by the Group to BOC mentioned in (i) above would be discharged subject to satisfaction by SPI of certain conditions. On 30 June 2004 and 30 September 2004, the Group entered into two related agreements with BOC ("the BOC Agreements"), whereby the Group's indebtedness mentioned in (ii) above would be discharged upon the payment by the Group of HK\$35,412,000 and the performance by the Group of certain procedures, including the winding-up of certain of the Group's subsidiaries. The conditions for the discharge and release of the bank borrowings had been substantially satisfied at the balance sheet date and bank indebtedness of HK\$249,639,000 after netting of the settlement amount of HK\$35,412,000, has been released and recognised as income in the financial statements for the year ended 31 December 2004.

### 15(b) OTHER BORROWINGS

On 2 July 2004, the Company and a subsidiary of the Company entered into a settlement deed with the finance company in respect of the settlement of the principal amount and accrued interest due and payable to the finance company by the subsidiary in the amount of HK\$3,776,000. Pursuant to the settlement deed, the amount due to the finance company was discharged and released upon the payment to the finance company an aggregate sum of HK\$588,000. By 13 October 2004, the Group paid the settlement sum and the Group's obligations regarding the indebtedness of HK\$3,776,000 were discharged by the finance company. Gain on discharge of amount due to a finance company in the amount of HK\$3,188,000 has been recognised in the financial statements for the year ended 31 December 2004.

The remaining amount as at 31 December 2004 represented an amount of HK\$1,355,000 due to a securities broker bore interest at 14% per annum (2003: 14% per annum) and was secured by the Group's other investments with a net book value of approximately HK\$525,000 (2003: HK\$378,000).

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. TRADE AND OTHER PAYABLES

	Note	The Group		The Company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Trade payables</b>	16(a)	<b>239</b>	234	–	–
<b>Other payables</b>					
Accrued charges and other creditors		<b>8,114</b>	9,287	<b>7,996</b>	8,846
Accrued interest expenses		<b>3,406</b>	95,975	–	16,854
Convertible note deposit received	16(b)	<b>7,200</b>	7,200	<b>7,200</b>	7,200
Due to subsidiaries	16(c)	–	–	–	6,849
Due to directors	16(d)	<b>395</b>	1,297	<b>354</b>	819
Due to a former related company	16(e)	<b>1,546</b>	1,546	<b>1,546</b>	1,546
Due to a subsidiary of SPI		–	17,852	–	–
		<b>20,661</b>	133,157	<b>17,096</b>	42,114
		<b>20,900</b>	133,391	<b>17,096</b>	42,114

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### 16(a) TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Within 1 month	<b>44</b>	51
1 – 2 months	<b>8</b>	33
2 – 3 months	<b>5</b>	9
3 – 6 months	<b>78</b>	23
6 – 12 months	<b>28</b>	66
Over 1 year	<b>76</b>	52
	<b>239</b>	234

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# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 16. TRADE AND OTHER PAYABLES (Continued)

### 16(b) CONVERTIBLE NOTE DEPOSIT RECEIVED

On 15 May 2001, the Company entered into an agreement (the "Agreement") with an independent third party (the "Purchaser") under which the Company would issue convertible note of HK\$80,000,000 to the Purchaser on or before 30 June 2001. Such convertible note was unsecured, bore interest at 3% per annum and convertible (at the discretion of the Company) into ordinary shares of the Company at conversion price of HK\$0.22 per share.

The completion date of the Agreement was subsequently extended to 31 July 2001 and later to 18 September 2001 by mutual agreement. On 18 September 2001, the Company and the Purchaser entered into a supplemental agreement to amend certain terms of the convertible note. Under the supplemental agreement, the principal amount of the convertible note was increased from HK\$80,000,000 to HK\$100,000,000 and would be issued in three tranches. Deposits totalling HK\$7,200,000 were received in 2001. On 31 December 2001, the Purchaser informed the Company in writing that it would not proceed with the completion of the supplemental agreement in relation to the issue of the convertible notes. After the balance sheet date, the Company entered into an agreement with the Purchaser for the release of each other of all liabilities and obligations.

### 16(c) DUE TO SUBSIDIARIES

The amounts due were unsecured, interest-free and had no fixed repayment terms.

### 16(d) DUE TO DIRECTORS

Details of amounts due to directors are as follows:

Name of director	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Wu Kwai Yung	354	–	354	–
Wan Kwong Kee	41	798	–	320
Chan Peng Kuan	–	499	–	499
	<b>395</b>	<b>1,297</b>	<b>354</b>	<b>819</b>

During the year, a cash advance of approximately HK\$104,721 was received from Dr. Wan Kwong Kee to finance the laboratory testing operation.

The amounts due are unsecured, interest-free and have no fixed repayment terms.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 16. TRADE AND OTHER PAYABLES (Continued)

### 16(e) DUE TO A FORMER RELATED COMPANY

The amount due is unsecured, interest-free and has no fixed repayment terms.

## 17. PROVISIONS

The provisions comprise principally provisions in respect of legal claims. Up to the date of approval of these financial statements by the directors, no action has been taken by both the plaintiffs and the Group. The directors consider that disclosure of further details of these claims would seriously prejudice the Company's negotiation position and accordingly further information on the nature of the obligations has not been provided.

## 18. DEFERRED TAXATION

The Group has not recognised deferred tax assets in respect of tax losses of HK\$111,595,000 (2003: HK\$217,466,000).

The Company has not recognised deferred tax assets in respect of tax losses of HK\$96,396,000 (2003: HK\$86,787,000).

The tax losses have no expiry date under current tax legislation.

## 19. ISSUED CAPITAL

	2004		2003	
	No. of shares '000	Nominal value HK\$'000	No. of shares '000	Nominal value HK\$'000
<b>Authorised:</b>				
At beginning of year, at HK\$0.02 (2003: HK\$0.02) each	<u>100,000,000</u>	<u>2,000,000</u>	<u>100,000,000</u>	<u>2,000,000</u>
<b>Issued and fully paid:</b>				
At beginning of year, at HK\$0.02 (2003: HK\$0.02) each	310,071	6,201	310,071	6,201
New shares issued	<u>643,836</u>	<u>12,877</u>	—	—
At balance sheet date, at HK\$0.02 each	<u>953,907</u>	<u>19,078</u>	<u>310,071</u>	<u>6,201</u>

On 2 July 2004, the Company entered into a subscription agreement ("Subscription Agreement") with a subscriber ("Subscriber"), pursuant to which the Subscriber agreed to conditionally subscribe for a total of 643,835,616 shares of the Company at a price of HK\$0.073 per share (included HK\$0.053 share premium). The Subscription Agreement was duly approved by the shareholders of the Company at the extraordinary general meeting held on 7 September 2004.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 19. ISSUED CAPITAL (Continued)

By 30 September 2004, the Subscription Agreement was duly completed, the Company issued the shares of the Company pursuant to the Subscription Agreement to the Subscriber and received the subscription monies in cash amount of HK\$40,000,000 and a deed of discharge in respect of an indebtedness of HK\$7,000,000. The Subscriber owns 643,835,616 shares of the Company, representing 67.5% of the then enlarged issued share capital of the Company. These shares rank pari passu with the existing shares in all respects.

## 20. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Special capital reserve HK\$'000	Total HK\$'000
<b>The Group</b>					
At 1 January 2003 and at 31 December 2003	–	3,571	200	18	3,789
Shares issued at premium	34,123	–	–	–	34,123
Disposal of subsidiaries	–	(3,571)	–	–	(3,571)
Transfer of recoveries of provision from accumulated losses as required under the Order on Petition	–	–	–	22,835	22,835
<b>At 31 December 2004</b>	<b>34,123</b>	<b>–</b>	<b>200</b>	<b>22,853</b>	<b>57,176</b>

The application of share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

	Share premium HK\$'000	General reserve HK\$'000	Special capital reserve HK\$'000	Total HK\$'000
<b>The Company</b>				
At 1 January 2003	–	200	18	218
Transfer from recoveries of provision during the year as required under the Order on Petition	–	–	21,703	21,703
At 31 December 2003	–	200	21,721	21,921
Transfer of recoveries of provision from accumulated losses as required under the Order on Petition	–	–	22,835	22,835
Share premium	34,123	–	–	34,123
<b>At 31 December 2004</b>	<b>34,123</b>	<b>200</b>	<b>44,556</b>	<b>78,879</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 20. RESERVES (Continued)

- (a) As part of the capital reorganisation (“ the Reorganisation”) (details of which are set out in the Company’s circular dated 1 August 2002), an Order on Petition dated 15 October 2002 (the “Order”) was issued by the High Court of the Hong Kong Special Administrative Region in connection with the reduction of the capital and the utilisation of the share premium account of the Company pursuant to which the Company undertook to the Court that any future recoveries by the Company in respect of certain provision for diminution in value beyond their written down value in the Company’s audited accounts for the period ended 31 December 2001 up to an overall aggregate amount of approximately HK\$990,320,000 will be credited to a special capital reserve. So long as there remains outstanding any debt of or claim against the Company which, if the date on which the reduction of capital and cancellation of the share premium account became effective (the “Effective Date”) were the date of the commencement of the winding up of the Company would have been admissible to proof in such winding up and the persons entitled to the benefit of such debts or claims shall not have agreed otherwise, such reserve shall not be treated as realised profits and shall, for so long as the Company shall remain a listed company, be treated as an undistributable reserve of the Company for the purposes of section 79C of the Companies Ordinance (Cap. 32) or any statutory re-enactment or modification thereof provided that:
- (i) The Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied;
  - (ii) The overall aggregate limit of special capital reserve of approximately HK\$990,320,000 may be reduced by the amount of any increase, after the Effective Date, in the paid up share capital or the amount of the share premium account of the Company as the result of the issue of shares for new consideration or the capitalisation of distributable profits;
  - (iii) The overall aggregate limit of special capital reserve of approximately HK\$990,320,000 may be reduced upon the realisation, after the Effective Date, of any of the assets identified in the Court Order by the amount of the total provision made in relation to each such asset as at 31 December 2001 less such amount (if any) as is credited to the said special capital reserve as a result of such realisation; and
  - (iv) When the credit amount of the special capital reserve exceeds the overall aggregate limit thereof after any reduction of such overall aggregate limit pursuant to provisos (ii) and/or (iii) above, the Company shall be at liberty to transfer the amount of any such excess to the general reserves of the Company and the same shall become available for distribution.
- (b) During the year, the Company recovered part of the provisions for diminution in value of investment in subsidiaries and inter-company balances as prescribed in the Order in the amount of HK\$22,835,000. As required by the terms of the Order, this amount has been credited to special capital reserve. Up to 31 December 2004, the Company has credited approximately HK\$44,556,000 (2003: HK\$21,721,000) to the special capital reserve, which reduced the overall aggregate limit of special capital reserve with the same amount. Such amount was further reduced by the issue of share capital of HK\$47,000,000 during the year. As a result, the maximum amount to be credited to the special capital reserve was reduced to approximately HK\$898,764,000 (2003: HK\$968,599,000).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 20. RESERVES (Continued)

- (c) The Company had no reserves available for distribution to shareholders as at 31 December 2004 (2003: Nil).

## 21. ACCUMULATED LOSSES

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At beginning of year	(318,912)	(415,144)	(117,855)	(204,700)
Profit for the year	217,547	96,232	7,527	108,548
Transfer to special capital reserve as required under the Order on Petition	(22,835)	–	(22,835)	(21,703)
At balance sheet date	<u>(124,200)</u>	<u>(318,912)</u>	<u>(133,163)</u>	<u>(117,855)</u>

## 22. EMPLOYEE SHARE OPTIONS

A new Company's share option scheme (the "Scheme") was approved by shareholders of the Company on 29 June 2004. The Scheme is yet to take effect and is subject to the Listing Committee of the Stock Exchange granting the approval of listing of and permission to deal in the shares of the Company which may be issued pursuant to the exercise of the options under the Scheme up to 10 per cent of the total issued share capital of the Company as at the date of adoption of the Scheme.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 23. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

### (a) Cash used in operations

	2004 HK\$'000	2003 HK\$'000
Profit from ordinary activities before taxation	216,257	96,530
Interest income	–	(13)
Interest expense	9,641	29,450
Depreciation	321	488
Guarantee income earned	–	(5,803)
Share of results of an associate	–	(31)
Gain on disposal of investment properties	–	(700)
Gain on disposal of property, plant and equipment	(7)	(5,672)
Holding gain on other investments	(217)	(41)
Gain on disposal of other investments	(53)	–
Gain on discharge of bank and other indebtedness ( <i>notes 15(a)&amp;(b)</i> )	(217,415)	–
Gain on disposal of subsidiaries	(21,492)	–
Loss on disposal of an associate	1	–
Provision for amounts due from unconsolidated subsidiaries	–	91
Reversal of losses of subsidiaries on deconsolidation	–	(15,378)
Other income	–	(98)
Impairment loss on investment securities	–	1
Gain arising from waiver of trade payables	–	(139)
Provision (Write-back) for doubtful trade and other receivables	3,571	(1,214)
Write-back of provision under corporate guarantees upon release of guarantees by the banks	–	(108,265)
Changes in working capital:		
Trade and other receivables	110	9,221
Trade and other payables	(1,142)	(7,886)
Due to an associate	(3)	(4)
<b>Cash used in operations</b>	<b>(10,428)</b>	<b>(9,463)</b>

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# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 23. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

### (b) Disposal of subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net liabilities disposed of:		
Interest in an associate	–	12,000
Other payables	(593,705)	(24,508)
	<u>(593,705)</u>	<u>(12,508)</u>
Capital reserve realised upon disposal of subsidiaries	(3,571)	–
Gain on disposal of subsidiaries	21,492	–
	<u>(575,784)</u>	<u>(12,508)</u>
<b>Total consideration</b>	<b><u>(575,784)</u></b>	<b><u>(12,508)</u></b>
Satisfied by:		
Cash consideration	–	12,000
Debt assignment	(575,784)	(24,508)
	<u>(575,784)</u>	<u>(12,508)</u>

Analysis of inflow of cash and cash equivalents in respect of disposal of subsidiaries:

	2004 HK\$'000	2003 HK\$'000
Cash consideration	–	12,000
Proceeds receivable	–	(4,000)
	<u>–</u>	<u>8,000</u>
Net inflow of cash and cash equivalents	<b><u>–</u></b>	<b><u>8,000</u></b>

During the year, the Group disposed of 49 subsidiaries, at their carrying amounts for a total consideration of HK\$130. The subsidiaries had no activities and the disposal of subsidiaries gave rise to a total gain of approximately HK\$21,492,000.

### (c) Major non-cash transaction

During the year, the Group has paid a total sum of HK\$36,000,000 in settlement of the Group's bank and other indebtedness in the amount of HK\$253,415,000, realising a gain on discharge of indebtedness of HK\$217,415,000. Included in the indebtedness discharged were bank overdrafts with balance of HK\$50,606,000 brought forward from 2003.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 24. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions/information disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with ReliaLab.

	2004 HK\$'000	2003 HK\$'000
Rental expenses recharged ( <i>note i</i> )	(45)	(45)
Salaries received for shared staff ( <i>note i</i> )	(52)	(50)
Salaries paid for shared staff ( <i>note i</i> )	59	33
Management fee recharged ( <i>note i</i> )	(12)	–
Electricity fee recharged ( <i>note i</i> )	(6)	–
Testing fee expense ( <i>note ii</i> )	26	7
Laboratory testing service income ( <i>note ii</i> )	(43)	(4)
	<u>(43)</u>	<u>(4)</u>

- (i) These expenses were recharged/shared with reference to the actual expenses incurred.
- (ii) These transactions were carried out at market prices.
- (iii) The above transactions did not fall under the definition of “connected transaction” or “continuing connected transaction” in Chapter 14A of the Listing Rules.

- (b) On 15 March 2004, a wholly-owned subsidiary of the Company as tenant entered into a tenancy agreement on normal commercial terms with Dr. Wan Kwong Kee, director of the Company and director of such wholly-owned subsidiary, as landlord in respect of the continued use and occupation of a property for a period of two years from 1 April 2004 to 31 March 2006 with monthly rental of HK\$11,250. This transaction constituted exempt continuing connected transaction of the Company under Rule 14A.33(3) of the Listing Rules which was exempt from the reporting, announcement and independent shareholders' approval requirements.

## 25. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had future minimum lease payments under non-cancellable operating leases payable as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	622	174
In second to fifth years inclusive	697	–
	<u>1,319</u>	<u>174</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 26. CONTINGENT LIABILITIES

As at 31 December 2004, the Group had the following contingent liabilities:

- (a) On 5 February 1999, the Company issued a writ against Core Pacific-Yamaichi International (H.K.) Limited ("Core Pacific") for (i) damages as a result of breaching a loan facility agreement dated 7 August 1998 of approximately HK\$120,000,000 (the "Facility"); (ii) damages as a result of breaching fiduciary duties as arranger and joint financial advisor under an agreement dated 6 August 1998; and (iii) an indemnity against all loss in relation to a purported supplemental deed dated 13 November 1998 (the "Supplemental Deed"). On 23 March 1999, Core Pacific issued a writ against the Company for interest of approximately HK\$4,000,000 and overdue interest together with other administrative expenses for approximately HK\$1,000,000 under the Facility and the Supplemental Deed. Of the HK\$5,000,000 claim, the directors consider that the HK\$1,000,000 claim is without merit. The remaining HK\$4,000,000 is still in dispute and has been provided for in the financial statements.
- (b) Pursuant to the SPI Settlement Agreement (note 15(a)), the Company is liable to a reinstatement of all liabilities and obligations under the corporate guarantees and the outstanding indebtedness owed by the Company to BOC when the settlement under the SPI Settlement Agreement is revoked, occurrence of which is not considered probable. Subsequently, the Group and BOC agreed pursuant to the BOC Agreements, in the event of the revocation of the SPI Settlement Agreement, the Company shall pay to BOC an additional sum of approximately HK\$223,000.
- (c) Pursuant to the two settlement deeds with creditor banks and SPI entered into in 2003 for the discharge and release of all the liabilities and obligations of the Company under guarantees given by the Company in respect of banking facilities extended to the subsidiaries of SPI, the releases are subject to reinstatement in the event that the settlements under these deeds are revoked, occurrence of which is not considered probable. The total amount of liabilities released by the creditor banks amounted to approximately HK\$37,136,000.
- (d) Pursuant to the BOC Agreements, the Company is liable to a reinstatement of all liabilities and obligations under the guarantees and outstanding liabilities released and discharged when the BOC Agreements are revoked, occurrence of which is not considered probable. The total liabilities released under the BOC Agreements amounted to approximately HK\$215,112,000 and the settlement sum already paid for the settlement is approximately HK\$35,412,000.

## 27. PENSION SCHEME

The group companies operating in Hong Kong have participated in the defined contribution Mandatory Provident Fund in Hong Kong since 1 December 2000. Monthly contributions are made to the scheme based on 5% of the employees' basic salaries with the maximum amount of contribution by each of the Group and the employees limited to HK\$12,000 per annum. The contributions to the mandatory provident fund scheme vest immediately and fully as employees benefits once the contributions become payable by the Group. There is no forfeited contribution when employees leave the mandatory provident fund scheme. The Group's (employer's) contributions made during the year ended 31 December 2004 amounted to approximately HK\$108,000 (2003: HK\$131,000).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 28. SEGMENT INFORMATION

The analysis of the principal activities of the operations of the Group during the year is as follows:

### (a) By business segments

The Group comprises the following main business segments:

	Property investment HK\$'000	Transportation services HK\$'000	Pharmaceutical and healthcare HK\$'000	Consolidated HK\$'000
<b>Year ended 31 December 2003</b>				
Sales revenue from external customers	306	–	1,049	1,355
Segment result	557	6,789	(1,119)	6,227
Unallocated operating income and expenses				119,722
Profit from operations				125,949
Share of results of an associate				31
Finance costs				(29,450)
Profit from ordinary activities before taxation				96,530
Taxation				6
Profit from ordinary activities				96,536
Minority interests				(304)
Profit attributable to shareholders				96,232
<b>OTHER INFORMATION</b>				
Capital expenditures	–	–	–	
Depreciation	–	118	99	
Impairment losses	–	–	–	
Other non-cash expenses other than depreciation	–	–	3	
Other non-cash revenue	(700)	(1,967)	–	

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# NOTES TO THE FINANCIAL STATEMENTS

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## 28. SEGMENT INFORMATION (Continued)

### (a) By business segments (Continued)

	Property investment HK\$'000	Transportation services HK\$'000	Pharmaceutical and healthcare HK\$'000	Consolidated HK\$'000
<b>Year ended 31 December 2004</b>				
Sales revenue from external customers	-	-	1,169	1,169
Segment result	126,003	-	(881)	125,122
Unallocated operating income and expenses				100,776
Profit from operations				225,898
Share of results of an associate				-
Finance costs				(9,641)
Profit from ordinary activities before taxation				216,257
Taxation				-
Profit from ordinary activities				216,257
Minority interests				1,290
Profit attributable to shareholders				217,547
<b>OTHER INFORMATION</b>				
Capital expenditures	-	-	298	
Depreciation	-	-	194	
Impairment losses	-	-	-	
Other non-cash expenses other than depreciation	-	-	57	
Other non-cash revenue	(126,217)	-	-	

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 28. SEGMENT INFORMATION (Continued)

### (a) By business segments (Continued)

	Property investment HK\$'000	Transportation services HK\$'000	Pharmaceutical and healthcare HK\$'000	Consolidated HK\$'000
<b>As at 31 December 2003</b>				
<b>Assets</b>				
Segment assets	601	795	721	2,117
Unallocated assets				4,739
Total assets				<u>6,856</u>
<b>Liabilities</b>				
Segment liabilities	(135,057)	(54)	(725)	(135,836)
Unallocated liabilities				(178,652)
Total liabilities				<u>(314,488)</u>
<b>As at 31 December 2004</b>				
<b>Assets</b>				
Segment assets	45	–	589	634
Unallocated assets				2,095
Total assets				<u>2,729</u>
<b>Liabilities</b>				
Segment liabilities	(12,977)	–	(398)	(13,375)
Unallocated liabilities				(37,300)
Total liabilities				<u>(50,675)</u>

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### (b) By geographic segment

No analysis of the Group's geographical segment information on sales revenue and result are presented as all sales revenue and result generated from the business activities were derived from Hong Kong for the years ended 31 December 2003 and 2004.

All the segment assets of the Group for years 2003 and 2004 are located in Hong Kong.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

## 29. POST BALANCE SHEET EVENTS

- (a) On 14 March 2005, the Company entered into an agreement with China Union Pharmaceutical Company Limited (“the Purchaser”) pursuant to which the Company agreed to terminate the supplemental agreement dated 18 September 2001 for the subscription of convertible note to be issued by the Company (note 16(b)) and both parties agreed to release each other of all liabilities and obligations, on the condition that the repayment of the deposit of HK\$7,200,000 paid by the Purchaser for the subscription under the supplemental agreement be waived.
  
- (b) On 27 March 2003, the Company entered into an agreement with an independent third party for the disposal of a subsidiary and the assignment of the shareholder’s loan. On the signing of the agreement, a refundable deposit of HK\$1,500,000 was paid to the Company. As the acquirer failed to obtain the necessary approvals, the sale could not be completed within the time prescribed and was terminated with the deposit to be returned to the acquirer. On 17 March 2005, the Company received a letter from the acquirer proposing that it would waive its right for the repayment of the deposit unconditionally and both parties would have to release each other of the liabilities and obligation under the agreement. Afterwards, the Company confirmed its acceptance of proposal on 24 March 2005.