**THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this Prospectus or as to the action to be taken, you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser. Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Prospectus.

**If you have sold or transferred** all your shares in United Gene High-Tech Group Limited, you should at once hand this Prospectus and, if any, the accompanying Provisional Allotment Letter(s) to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

A copy of this Prospectus, together with the copies of the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" on pages III-13 to III-14 of this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance in Hong Kong. The Registrar of Companies in Hong Kong and The Securities and Futures Commission of Hong Kong take no responsibility as to the contents of any of these documents.

Dealings in the Shares and the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS operated by Hong Kong Securities Clearing Company Limited and you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.



Distribution of this Prospectus in jurisdictions other than Hong Kong may be restricted by law. Persons into whose possession this Prospectus comes should inform themselves of and observe any such restrictions. Shareholders with registered addresses in, and investors who are located or resident in, any of the jurisdictions outside Hong Kong or holding Shares on behalf of persons with such addresses should refer to the important information set out in the paragraph headed "Non-Qualifying Shareholders" under the section headed "Letter from the Board" of this Prospectus.

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to the nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

# UNITED GENE HIGH-TECH GROUP LIMITED
# 聯合基因科技集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 399)**

# RIGHTS ISSUE OF 3,649,352,418 RIGHTS SHARES ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TEN EXISTING SHARES HELD ON THE RECORD DATE

**Financial adviser to the Company**

**WALLBANCK BROTHERS**
**Securities (Hong Kong) Limited**

**Underwriter to the Rights Issue**

**GRAND INVESTMENT (SECURITIES) LIMITED**

The latest time for acceptance of and payment for the Rights Shares is at 4:00 p.m. (Hong Kong time) on Wednesday, 1 August 2012. The procedures for acceptance of and payment for the Rights Shares are set out on pages 12 to 14 of this Prospectus.

It should be noted that the Underwriter may, upon giving notice in writing to the Company, terminate the Underwriting Agreement prior to the Latest Time for Termination, upon the occurrence of certain events, including force majeure events. These events are set out in the section headed "Termination of the Underwriting Agreement (force majeure)" on pages 6 to 7 of this Prospectus.

If the Underwriter exercises such right, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed. Upon the giving of written notice of termination, all the obligations of the Underwriter and the Company under the Underwriting Agreement shall cease and no party shall have any claim against any other for costs, damages, compensation or otherwise (save in respect of certain rights and obligations under the Underwriting Agreement, including rights of the parties thereto in respect of any antecedent breach).

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue and the Underwriting Agreement" under the section headed "Letter from the Board" of this Prospectus are not fulfilled or waived, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.

Shareholders should note that the existing Shares have been dealt in on an ex-rights basis from Friday, 29 June 2012. The Rights Shares in their nil-paid form will be dealt in from Friday, 20 July 2012 to Friday, 27 July 2012 (both days inclusive). Such dealings will take place when the conditions of the Rights Issue remain unfulfilled. Any person dealing in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled, which is currently expected to be 4:00 p.m. (Hong Kong time) on Monday, 6 August 2012, and any person dealing in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or the Rights Shares and/or the nil-paid Rights Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

18 July 2012

# CONTENTS

*In this Prospectus, the following expressions have the meanings set out below unless the context requires otherwise:*

| | |
|---|---|
| "acting in concert" | persons acting in concert comprise persons who actively cooperate to obtain or consolidate control of a company through the acquisition by any of them of voting rights of the company |
| "Announcement" | the announcement of the Company dated 25 June 2012 in relation to, among other things, the Rights Issue |
| "associate(s)" | has the same meaning ascribed to it under the Listing Rules |
| "Best Champion"/"Undertaking Shareholder" | Best Champion Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a non-wholly-owned subsidiary of United Gene Holdings and the controlling shareholder of the Company |
| "Board" | the board of Directors |
| "Business Day" | any day (excluding public holiday, Saturday and Sunday) on which licensed banks in Hong Kong are open to the general public for business |
| "CCASS" | the Central Clearing and Settlement System established and operated by HKSCC |
| "Company" | United Gene High-Tech Group Limited 聯合基因科技集團有限公司, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange |
| "connected person(s)" | has the same meaning ascribed to it under the Listing Rules |
| "controlling shareholder" | has the same meaning ascribed to it under the Listing Rules |
| "Director(s)" | the director(s) of the Company |
| "Dr. Mao" | Dr. Mao Yumin, the honourary chairman, chief scientific adviser and a controlling shareholder of the Company, who is also the director and the ultimate beneficial owner of Best Champion Holdings Limited |
| "Final Acceptance Date" | 4:00 p.m. (Hong Kong time) on Wednesday, 1 August 2012 or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of and payment for the Rights Shares |
| "Group" | the Company and its subsidiaries from time to time |

| | |
|---|---|
| "HKSCC" | Hong Kong Securities Clearing Company Limited |
| "Hong Kong" | the Hong Kong Special Administrative Region of the People's Republic of China |
| "Independent Third Party(ies)" | third party(ies) independent of the Company and any connected person(s) of the Company and not connected person(s) of the Company (as defined in the Listing Rules) |
| "Irrevocable Undertaking" | the irrevocable undertaking dated 20 June 2012 given by the Undertaking Shareholder to the Company and the Underwriter as described in the section headed "Irrevocable Undertaking of the Undertaking Shareholder" of this Prospectus |
| "Last Trading Day" | Monday, 25 June 2012, being the date of the Underwriting Agreement |
| "Latest Practicable Date" | Friday, 13 July 2012, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information in this Prospectus |
| "Latest Time for Termination" | 4:00 p.m. (Hong Kong time) on Monday, 6 August 2012, being the third Business Day after the Final Acceptance Date or such later date as the Company and the Underwriter may agree in writing, being the latest time by which the Underwriter may terminate the Underwriting Agreement |
| "Listing Committee" | has the same meaning ascribed to it under the Listing Rules |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Non-Qualifying Shareholder(s)" | the Overseas Shareholder(s) to whom the Board, after seeking legal advice, consider it necessary or expedient not to offer the Rights Shares on account either legal restrictions under the laws of the relevant jurisdiction of the relevant regulatory body or stock exchange in that place |
| "Overseas Shareholder(s)" | the shareholders with registered addresses (as shown in the register of members of the Company at the close of business on the Record Date) outside Hong Kong |
| "Posting Date" | Wednesday, 18 July 2012, being the date of despatch of the Rights Issue Documents |
| "Prospectus" | this prospectus |

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|---|---|
| "Provisional Allotment Letter(s)" | the provisional allotment letter(s) to be issued to the Qualifying Shareholders in respect of their assured entitlements under the Rights Issue |
| "Qualifying Shareholder(s)" | the Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date, other than the Non-Qualifying Shareholders |
| "Record Date" | Friday, 6 July 2012, being the date for determining the entitlements of the Qualifying Shareholders to the Rights Issue |
| "Registrar" | Tricor Tengis Limited, the principal share registrar of the Company at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong |
| "Rights Issue" | the issue of Rights Shares by the Company at the Subscription Price on the basis of three (3) Rights Shares for every ten (10) existing Shares held on the Record Date at the Subscription Price payable in full on acceptance and subject to the terms and conditions set out in the Rights Issue Documents and the Underwriting Agreement |
| "Rights Issue Documents" | this Prospectus and the Provisional Allotment Letter(s) |
| "Rights Share(s)" | the new Share(s) to be allotted and issued by the Company in respect of the Rights Issue |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Share(s)" | ordinary share(s) with par value of HK$0.01 each in the share capital of the Company |
| "Shareholder(s)" | the holder(s) of the Shares |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Subscription Price" | the subscription price of HK$0.022 per Rights Share |
| "substantial shareholder(s)" | has the same meaning ascribed to it under the Listing Rules |

| | |
|---|---|
| "Underwriter" | Grand Investment (Securities) Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, acting as the underwriter pursuant to the Underwriting Agreement |
| "Underwriting Agreement" | the underwriting agreement dated 25 June 2012 entered into between the Company and the Underwriter in relation to the Rights Issue |
| "Underwritten Shares" | 2,649,352,418 Rights Shares, being all the Rights Shares to be issued in the Rights Issue less 1,000,000,000 Rights Shares agreed to be taken up by the Undertaking Shareholder pursuant to the Underwriting Agreement |
| "United Gene Holdings" | United Gene Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and whose entire issued share capital is wholly and beneficially owned by Dr. Mao |
| "United States" or "U.S." | the United States of America (including its territories and possessions, any state in the US and the District of Columbia) |
| "HK$" | Hong Kong dollar(s), the lawful currency of Hong Kong |
| "%" | per cent |

*Set out below is the expected timetable for the Rights Issue. Dates or deadlines specified below and in other parts of this Prospectus are indicative only and may be varied by agreement between the Company and the Underwriter. In the event that any special circumstances arise, the Board may extend, or make adjustment to, the timetable if it considers appropriate. The Company will notify Shareholders by way of announcement(s) of any change to the expected timetable as and when appropriate.*

| | |
|---|---|
| First day for dealings in nil-paid Rights Shares | Friday, 20 July 2012 |
| Latest time for splitting of nil-paid Rights Shares | 4:00 p.m on Tuesday, 24 July 2012 |
| Last day for dealings in nil-paid Rights Shares | Friday, 27 July 2012 |
| Latest time for acceptance of, and payment for, the Rights Shares | 4:00 p.m. on Wednesday, 1 August 2012 |
| Latest time for the Rights Issue to become unconditional | 4:00 p.m. on Monday, 6 August 2012 |
| Announcement of the allotment results of the Rights Issue to be published on the respective websites of the Stock Exchange and the Company on or before | Wednesday, 8 August 2012 |
| Despatch of share certificates for the fully-paid Rights Shares | Thursday, 9 August 2012 |
| Commencement of dealings in fully-paid Rights Shares | Friday, 10 August 2012 |

*Notes:*

1. All reference to times and dates in this Prospectus refer to Hong Kong local times and dates.

2. **Effect of bad weather on the latest time for acceptance of and payment for Rights Shares**

   The latest time for acceptance of, and payment for, the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning:

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. Instead the latest time for acceptance of, and payment for, the Rights Shares will be extended to 5:00 p.m. on the same Business Day; and

   (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. Instead the latest time for acceptance of, and payment for, the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

   If the latest time for acceptance of, and payment for, the Rights Shares does not take place at 4:00 p.m. on the Final Acceptance Date, the dates mentioned in the section headed "Expected timetable for the Rights Issue" above may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

**The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing to the Company, the right to terminate the Underwriting Agreement on the occurrence of certain events.**

If at any time prior to the Latest Time for Termination, any of the following happens, which in the reasonable opinion of the Underwriter acting in good faith, the success of the Rights Issue would be materially and adversely affected by:

(i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of this Agreement, of a political, financial, economic, currency, market or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(iii) any material and adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

(iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole,

then, in any such case, the Underwriter may by notice in writing given to the Company on or before the Latest Time for Termination terminate the Underwriting Agreement and thereupon all obligations of the Underwriter thereunder will cease and determine and no party will have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriting Agreement terminates in accordance with its terms, the Rights Issue will not proceed.

## WARNING OF THE RISK OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

**The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue and the Underwriting Agreement" under the section headed "Letter from the Board" of this Prospectus are not fulfilled or waived, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.**

## TERMINATION OF THE UNDERWRITING AGREEMENT (FORCE MAJEURE)

**Shareholders should note that the existing Shares have been dealt in on an ex-rights basis from Friday, 29 June 2012. The Rights Shares in their nil-paid form will be dealt in from Friday, 20 July 2012 to Friday, 27 July 2012 (both days inclusive). Such dealings will take place when the conditions of the Rights Issue remain unfulfilled. Any person dealing in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled, which is currently expected to be 4:00 p.m. (Hong Kong time) on Monday, 6 August 2012, and any person dealing in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or the Rights Shares and/or the nil-paid Rights Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.**

# UNITED GENE HIGH-TECH GROUP LIMITED
# 聯合基因科技集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 399)**

*Executive Directors:*
Ms. Lee Nga Yan
Dr. Guo Yi

*Non-executive Directors:*
Ms. Jiang Nian *(Chairman)*
Ms. Xiao Yan
Ms. Wu Yanmin

*Independent non-executive Directors:*
Ms. Chen Weijun
Dr. Zhang Zhihong
Mr. Wang Rongliang

*Registered office:*
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal place of business in Hong Kong:*
Rooms No. 1405–1406
Harbour Centre
No. 25 Harbour Road
Wanchai, Hong Kong

18 July 2012

*To the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders*

Dear Sir or Madam,

## RIGHTS ISSUE OF 3,649,352,418 RIGHTS SHARES ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TEN EXISTING SHARES HELD ON THE RECORD DATE

### INTRODUCTION

Reference is made to the Announcement, pursuant to which the Company announced that it proposed to raise approximately HK$80,285,753, before expenses, by way of a rights issue of 3,649,352,418 Rights Shares on the basis of three (3) Rights Shares for every ten (10) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK$0.022 per Rights Share.

Pursuant to the terms of the Rights Issue, the Qualifying Shareholders will be provisionally allotted three (3) Rights Shares in nil-paid form for every ten (10) existing Shares held on the Record Date. Fractional entitlements will not be allotted but will be dealt with as Rights Shares not accepted and to be underwritten by the Underwriter in accordance with the Underwriting Agreement.

The Rights Issue is subject to, among other things, the Underwriting Agreement becoming unconditional and not being terminated on the occurrence of certain events including force majeure.

The purpose of this Prospectus is to provide you with further information regarding the Rights Issue, including information on dealings, transfers and acceptance of the Rights Shares, and financial information and other information of the Group.

## RIGHTS ISSUE

### Issue statistics

| | | |
|---|---|---|
| Basis of the Rights Issue | : | Three (3) Rights Shares for every ten (10) existing Shares held on the Record Date |
| Number of Shares in issue | : | 12,164,508,062 Shares as at the Record Date |
| Number of Rights Shares | : | 3,649,352,418 Rights Shares |
| Subscription Price | : | HK$0.022 per Rights Share |
| Aggregate nominal value of the Rights Shares | : | HK$36,493,524.18 |
| Underwriter | : | Grand Investment (Securities) Limited |
| Enlarged issued share capital upon completion of the Rights Issue | : | 15,813,860,480 Shares |

As at the Latest Practicable Date, the Company has no outstanding convertible securities or options in issue or other similar rights which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares.

The aggregate number of nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent approximately 30.00% of the Company's issued share capital as at the Latest Practicable Date and approximately 23.08% of the Company's issued share capital as enlarged by the Rights Shares.

Pursuant to the Underwriting Agreement, the Company has undertaken that it shall not, without the prior consent of the Underwriter, issue any Share or issue or grant any share options or other securities convertible into, exchangeable for or which carry right to acquire Shares (other than the Rights Shares) from the date of the Underwriting Agreement until after the Final Acceptance Date.

**Subscription Price**

The Subscription Price of HK$0.022 per Rights Share is payable in full by the Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price of HK$0.022 per Rights Share represents:

(i) a discount of approximately 26.67% to the closing price per Share of HK$0.030, the dealings of which are on ex-rights basis, as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 29.03% to the closing price per Share of HK$0.031 as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 38.89% to the average of closing prices per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK$0.036;

(iv) a discount of approximately 38.89% to the average of closing prices per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately HK$0.036;

(v) a discount of approximately 24.14% to the theoretical ex-rights price of approximately HK$0.029 per Share based on the closing price of HK$0.031 per Share as quoted on the Stock Exchange on the Last Trading Day;

(vi) a discount of approximately 35.29% to the unaudited consolidated net asset value attributable to the Shareholders as at 31 December 2011 of approximately HK$0.034 per Share, calculated based on the unaudited consolidated net asset value attributable to the owners of the Company as at 31 December 2011 and the number of Shares in issue as at 31 December 2011; and

(vii) a discount of approximately 15.38% to the unaudited pro forma adjusted consolidated net tangible assets attributable to the Shareholders per Share after completion of the Rights Issue of approximately HK$0.026 per Share, as set out in Appendix II to this Prospectus.

Each Rights Share will have a par value of HK$0.01.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the prevailing market conditions and recent financial condition of the Group. The Directors (including the independent non-executive Directors) hold the view that the terms of the Rights Issue, including the Subscription Price (and the discounts to the relative values indicated above), are fair and reasonable to, and in the interests of the Company and the Shareholders as a whole and could enhance the attractiveness of the Rights Issue, so as to encourage Shareholders to participate in the Rights Issue without exerting excessive financial burden on the part of the Shareholders. The Rights Issue also offers an opportunity for each Qualifying Shareholder to maintain their respective pro rata shareholdings in the Company.

**Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders and the Company will send the Rights Issue Documents to the Qualifying Shareholders.

Qualifying Shareholders who take up their pro-rata entitlements in full will not suffer any dilution to their shareholding interests in the Company. **However, Qualifying Shareholders who do not take up in full the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted as a result of the Rights Issue.**

**Closure of register of members**

The register of members of the Company has been closed from Wednesday, 4 July 2012 to Friday, 6 July 2012 (both days inclusive), for the purpose of establishing entitlements to the Rights Issue. No transfer of Shares has been registered during this period.

**Basis of provisional allotment**

Three (3) Rights Shares (in nil-paid form) for every ten (10) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK$0.022. Acceptance of all or any part of the Qualifying Shareholder's provisional allotment should be made by completing a Provisional Allotment Letter and lodging the same with a remittance for the Rights Shares with the Registrar on or before the Final Acceptance Date.

**Status of the Rights Shares**

The Rights Shares (when issued and fully paid) shall rank *pari passu* in all respects with the then existing Shares in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the Rights Shares in their fully-paid form.

**Certificates for the Rights Shares**

Subject to the fulfillment of the conditions of the Rights Issue as set out in the section headed "Conditions of the Rights Issue and the Underwriting Agreement" below, certificates for all fully-paid Rights Shares are expected to be sent by ordinary post on or before Thursday, 9 August 2012 to those Qualifying Shareholders who have applied and paid for the Rights Shares at their own risk.

**Fractional entitlements to the Rights Shares**

The Company has not provisionally allotted and will not accept applications for any fraction of the Rights Shares. No odd lot matching services will be provided. All fractions of the Rights Shares have been aggregated (rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation of the fractional entitlements have been dealt with as Rights Shares not accepted and to be underwritten by the Underwriter in accordance with the Underwriting Agreement. Applicant(s) will receive one share certificate for all the Rights Shares issued to him/her/it.

**Procedures for acceptance of and payment for transfer**

***General***

Any person (including, without limitation, agents, nominees and trustees) wishing to take up his/her/its rights under the Rights Issue must satisfy himself/herself/itself as to the full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The attention of Shareholders with registered addresses, and investors who are located or resident, in any of the jurisdictions outside Hong Kong or who hold Shares on behalf of persons with such addresses is drawn to the paragraph below headed "Non-Qualifying Shareholders" in this "Letter from the Board".

The Company may treat as invalid any instruction which appears to the Company to have been despatched from any of the jurisdictions outside Hong Kong and which may involve a breach of the laws of the relevant jurisdictions or any instruction which otherwise appears to the Company that may involve a breach of the laws of any jurisdiction; or if the Company or its agents believe(s) the same may violate any applicable legal or regulatory requirement.

***Actions to be taken by Qualifying Shareholders***

*Subscription for all Rights Shares provisionally allotted*

A Provisional Allotment Letter is enclosed with this Prospectus for each Qualifying Shareholder which entitles the Qualifying Shareholder to whom it is addressed to subscribe for the number of Rights Shares shown in it. If the Qualifying Shareholder wishes to accept all Rights Shares provisionally allotted to him/her/it as specified in the Provisional Allotment Letter, he/she/it must lodge the Provisional Allotment Letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. (Hong Kong time) on Wednesday, 1 August 2012. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on a bank account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**UNITED GENE HIGH-TECH GROUP LIMITED — RIGHTS ISSUE ACCOUNT**" and crossed "**Account Payee Only**". Any payment for the Rights Shares should be rounded down to 2 decimal points.

It should be noted that unless the Provisional Allotment Letter, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. (Hong Kong time) on Wednesday, 1 August 2012, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may, at its discretion, treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

*Transfer and "splitting" of nil-paid Rights Shares*

The nil-paid Rights Shares can be traded on the Stock Exchange. The Qualifying Shareholder can accept all of his/her/its provisional allotment of Rights Shares, or sell all of his/her/its provisional allotment on the Stock Exchange or accept only part of his/her/its provisional allotment and sell the remaining part on the Stock Exchange.

If the Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the Provisional Allotment Letter or to transfer all or part of his/her/its rights to more than one person, the original Provisional Allotment Letter must be surrendered and lodged for cancellation no later than 4:00 p.m. (Hong Kong time) on Tuesday, 24 July 2012 with the Registrar, who will cancel the original Provisional Allotment Letter and issue new Provisional Allotment Letters in the denominations required which will be available for collection at the Registrar after 9:00 a.m. on the second Business Day after the surrender of the original Provisional Allotment Letter. This process is commonly known as "splitting" the nil-paid Rights Shares.

Having "split" the nil-paid Rights Shares, the Qualifying Shareholder who wishes to accept the provisional allotment of Rights Shares represented by a new Provisional Allotment Letter should do so in accordance with the instructions given above in relation to the subscription for the Rights Shares provisionally allotted.

If the Qualifying Shareholder wishes to transfer all of his/her/its nil-paid Rights Shares under a Provisional Allotment Letter (or a split Provisional Allotment Letter, as the case may be) to another person, he/she/it should complete and sign the registration information in the Provisional Allotment Letter and hand the Provisional Allotment Letter to the person to or through whom he/she/it is transferring his/her/its nil-paid Rights Shares. The transferee must then complete and sign the registration details in the Provisional Allotment Letter and lodge the Provisional Allotment Letter intact, together with a remittance for the full amount payable on acceptance with the Registrar by no later than 4:00 p.m. (Hong Kong time) on Wednesday, 1 August 2012.

The Provisional Allotment Letter contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

All cheques or cashier's orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgment of a Provisional Allotment Letter together with a cheque or cashier's order in payment for the Rights Shares applied for will constitute a warranty by the applicant that the cheque or cashier's order will be honoured on first presentation. Without prejudice to its other rights in respect thereof, the Company reserves the right to reject any Provisional

Allotment Letter in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements. If any of the conditions of the Rights Issue (as set out in the paragraph headed "Conditions of the Rights Issue and the Underwriting Agreement" in this "Letter from the Board") are not fulfilled or waived, the monies received in respect of acceptance of the Rights Shares will be refunded to the Qualifying Shareholders (or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred) without interest, by means of cheques crossed "**Account Payee Only**" to be despatched by ordinary post to their registered addresses, and in the case of joint applicants to the registered address of the first-mentioned person who appears on the register of members or the transfer form, at their own risk on or before Thursday, 9 August 2012.

*Effect of bad weather on latest time for acceptance of and payment for Rights Shares*

The latest time for acceptance of, and payment for, the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning:

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. Instead the latest time for acceptance of, and payment for, the Rights Shares will be extended to 5:00 p.m. on the same Business Day; and

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. Instead the latest time for acceptance of, and payment for, the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of, and payment for, the Rights Shares does not take place at 4:00 p.m. (Hong Kong time) on the Final Acceptance Date, the dates mentioned in the section headed "Expected timetable for the Rights Issue" above may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

**No application for excess Rights Shares**

There is no arrangement for application of Rights Shares by Qualifying Shareholders in excess of their entitlements. Considering that each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company's future development by subscribing for his/her/its proportionate entitlement under the Rights Issue and there will be dealing of nil-paid Rights Shares on the Stock Exchange, the Directors consider that making additional effort and incurring additional costs to administer the excess application procedures are not justified. Any Rights Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter and/or subscribers procured by the Underwriter. As the related administration costs will be lowered, the Directors consider that the absence of an application procedure for excess Rights Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**Application for listing and dealings**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Nil-paid Rights Shares are expected to be traded in board lots of 10,000 (as the Shares are currently traded on the Stock Exchange in board lots of 10,000). No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed in or on any other stock exchange.

**Stamp duty and other applicable fees and charges**

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, investor compensation levy and other applicable fees and charges in Hong Kong.

**Commencement of dealings**

It is expected that dealings in the Rights Shares in nil-paid form will commence on Friday, 20 July 2012 and end on Friday, 27 July 2012 (both days inclusive) and dealings in the Rights Shares in fully-paid form will commence on Friday, 10 August 2012.

**Rights Shares will be eligible for admission into CCASS**

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both nil-paid and fully-paid form on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

**Non-Qualifying Shareholders**

The Rights Issue Documents have not been and will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong.

According to the register of members of the Company as at the Record Date, there were four Overseas Shareholders with registered addresses located in Macau Special Administrative Region of the PRC ("**Macau**"), the People's Republic of China (the "**PRC**") and the United States and these Shareholders held 40,400 Shares, 50,000 Shares and 800 Shares respectively.

The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders taking into consideration the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange for the issue of Rights Shares to the Overseas Shareholders.

After making such enquiry, the Directors are of the opinion that it is expedient not to make available the Rights Issue to the Overseas Shareholder in the United States. The Directors' opinion reflects their consideration of, among other things, the costs associated with the Company's compliance with applicable U.S. federal and state securities laws and regulations relative to the potential benefit of extending the Rights Issue to the Overseas Shareholder in the United States. Accordingly, the Rights Issue will not be extended to the Overseas Shareholder in the United States, who will be deemed a Non-Qualifying Shareholder. The Company will send this Prospectus to this Non-Qualifying Shareholder for his information only.

The Directors have been advised by the legal advisers in Macau and the PRC that no local legal or regulatory compliance is required to be met in these jurisdictions. Accordingly, the Directors have decided that the Rights Issue will be extended to the Overseas Shareholders in these jurisdictions.

Each Qualifying Shareholder subscribing for the Rights Shares will be required under the Rights Issue and is deemed by his subscription of the Rights Shares, to confirm that he is aware of and has complied with the restriction and requirement upon his subscription for Rights Shares. The Qualifying Shareholders are reminded to consult their financial and legal advisers and legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. The Qualifying Shareholders should also inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the jurisdictions of their respective citizenship, residence or domicile.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market, by nominees of nil-paid Rights Shares as procured by the Company, in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day for dealings in nil-paid Rights Shares at a net premium. If and to the extent that such nil-paid Rights Shares of the Non-Qualifying Shareholders can be sold, the nominee shall account to the Company for the net proceeds of sale (after deducting the expenses of sale, if any), on the basis that the net proceeds after deducting the expenses of sale (if any) attributable to the sale of the nil-paid Rights Shares that would otherwise have been allotted to the Non-Qualifying Shareholders shall be distributed pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders provided that individual amounts of HK$100 or less shall be retained by the Company for its own benefit.

## UNDERWRITING ARRANGEMENT

### Underwriting Agreement

| | |
|---|---|
| Date: | 25 June 2012 |
| Issuer: | the Company |
| Underwriter: | Grand Investment (Securities) Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed under the SFO to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities |
| Number of Underwritten Shares: | 2,649,352,418 Rights Shares, being all the Rights Shares to be issued in the Rights Issue less 1,000,000,000 Rights Shares agreed and undertaken to be taken up by the Undertaking Shareholder pursuant to the Underwriting Agreement |
| Commission: | 5% of the aggregate Subscription Price of the Underwritten Shares |

The Rights Issue, except for the Rights Shares undertaken by the Undertaking Shareholder, is fully underwritten by the Underwriter. The underwriting commission was arrived at after arm's length negotiations between the Company and the Underwriter with reference to:

(i) the existing financial position of the Group. As stated in the Company's interim report for the six months ended 31 December 2011, the Company had an unaudited bank and cash balances of approximately HK$187.44 million and unaudited net assets of approximately HK$431.11 million;

(ii) the relatively small size of the Rights Issue; and

(iii) the current and expected market condition.

The Directors (including the independent non-executive Directors) hold the view that the terms of the Underwriting Agreement and the amount of commission given to the Underwriter are fair and commercially reasonable as agreed between the Company and the Underwriter.

Subject to the fulfillment of the conditions (or any waiver, as the case may be, by the Underwriter) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter has agreed to subscribe or procure the subscription for all Underwritten Shares, that are not taken up by the Qualifying Shareholders.

As at the Latest Practicable Date, the Underwriter was not beneficially interested in any Shares. To the best of the Directors' knowledge and information and belief, and having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties.

**Conditions of the Rights Issue and the Underwriting Agreement**

The Rights Issue is conditional upon, amongst other things, each of the following conditions being fulfilled and/or waived:

(i) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms);

(ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Rights Issue Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Posting Date;

(iii) the posting of the Rights Issue Documents to the Qualifying Shareholders on or before the Posting Date;

(iv) compliance with and performance of all the undertakings and obligations of the Company and the Underwriter under the terms of the Underwriting Agreement; and

(v) the Undertaking Shareholder having delivered the original executed Irrevocable Undertaking to the Company on the date of the Underwriting Agreement and having honoured its obligations under the Irrevocable Undertaking.

None of the parties to the Underwriting Agreement may waive conditions (i), (ii), (iii) and (v) above. The Underwriter may waive condition (iv) above (so far as it relates to the Company) by written notice to the Company. If any of the conditions of the Rights Issue are not fulfilled (or in respect of condition (iv), waived by the Underwriter) on or before the Final Acceptance Date (or such later time and/or date as the Company and the Underwriter may agree in writing), the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breach and the Rights Issue will not proceed. Both the Company and the Underwriter agreed to use their best endeavours to procure fulfillment of all the said conditions on or before the Final Acceptance Date.

### Termination of the Underwriting Agreement (force majeure)

If at any time prior to the Latest Time for Termination, any of the following happens, which in the reasonable opinion of the Underwriter acting in good faith, the success of the Rights Issue would be materially and adversely affected by:

(i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement, of a political, financial, economic, currency, market or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(iii) any material and adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

(iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole,

then, in any such case, the Underwriter may by notice in writing given to the Company on or before the Latest Time for Termination terminate the Underwriting Agreement and thereupon all obligations of the Underwriter thereunder will cease and determine and no party will have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriting Agreement terminates in accordance with its terms, the Rights Issue will not proceed.

## IRREVOCABLE UNDERTAKING OF THE UNDERTAKING SHAREHOLDER

### Background of the Undertaking Shareholder

The Undertaking Shareholder, Best Champion Holdings Limited, is a company incorporated in the British Virgin Islands with limited liability. Best Champion is a non-wholly-owned subsidiary of United Gene Holdings and is the controlling shareholder of the Company. So far as known to the Directors, United Gene Holdings owns approximately 66.67% shareholdings in Best Champion and the entire issued share capital of United Gene Holdings is in turn wholly and beneficially owned by Dr. Mao, as at the Latest Practicable Date.

As at the Record Date, as recorded in the register of members of the Company, Best Champion held, in aggregate 4,882,820,000 Shares, representing approximately 40.14% of the issued share capital of the Company. Accordingly, the Undertaking Shareholder and its associates have been provisionally allotted 1,464,846,000 Rights Shares pursuant to the Rights Issue in respect of the Shares which are beneficially owned by it and its associates.

**Undertakings by the Undertaking Shareholder under the Irrevocable Undertaking**

As at 20 June 2012, being the date of signing of the Irrevocable Undertaking, Best Champion beneficially owned, in aggregate 5,591,020,000 Shares, representing approximately 45.96% of the issued share capital of the Company. Accordingly, the Undertaking Shareholder and its associates would be provisionally allotted 1,677,306,000 Rights Shares pursuant to the Rights Issue in respect of the Shares which are beneficially owned by it and its associates.

The Undertaking Shareholder has provided the Irrevocable Undertaking on 20 June 2012 to the Company and the Underwriter among other things:

(i) for the purpose of the Irrevocable Undertaking, the Undertaking Shareholder will procure parties and its associates acting in concert with it to accept for an aggregate amount of 1,000,000,000 Rights Shares (the "**Undertaken Shares**");

(ii) the Undertaking Shareholder and its associates shall hold not less than 3,333,333,340 Shares, to which the Undertaking Shareholder and its associates would be provisionally allotted the Undertaken Shares;

(iii) the Undertaking Shareholder will procure parties and associates acting in concert with it to lodge acceptances in respect of the Undertaken Shares with the Registrar or the Company, with payment in full therefor in cash (whether by cheque, bank cashier's order or such other form as the Company may approve), by no later than 4:00 p.m. on the Final Acceptance Date as specified by the Company or such later date as the Company may agree.

Other than the Undertaking Shareholder, the Company has not received any undertakings from any other Shareholders to subscribe for all or any of the Rights Shares to be provisionally allotted to them.

## EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The changes in the shareholding structure of the Company arising from the Rights Issue are as follows (for illustration purposes only):

| | As at the Record Date | | Immediately after completion of the Rights Issue (assuming no Shareholders have taken up any of their entitlements under the Rights Issue, other than the Rights Shares undertaken by the Undertaking Shareholder) *(Note ii)* | | Immediately after completion of the Rights Issue (assuming all Shareholders have taken up their entitlements under the Rights Issue) | |
|---|---|---|---|---|---|---|
| | *No. of Shares* | *Approximate %* | *No. of Shares* | *Approximate %* | *No. of Shares* | *Approximate %* |
| Best Champion *(Note i)* | 4,882,820,000 | 40.14 | 5,882,820,000 | 37.20 | 6,347,666,000 | 40.14 |
| Underwriter *(Note iii)* | — | — | 2,649,352,418 | 16.75 | — | — |
| Public | 7,281,688,062 | 59.86 | 7,281,688,062 | 46.05 | 9,466,194,480 | 59.86 |
| Total | 12,164,508,062 | 100.00 | 15,813,860,480 | 100.00 | 15,813,860,480 | 100.00 |

*Notes:*

(i) Best Champion, the Undertaking Shareholder, is the controlling shareholder of the Company. Best Champion is a non-wholly-owned subsidiary of United Gene Holdings, the entire issued share capital of which is wholly and beneficially owned by Dr. Mao. As such, Dr. Mao is deemed to be interested in 4,882,820,000 Shares held by Best Champion.

(ii) Pursuant to the Underwriting Agreement, the Underwriter, for its own account, shall not subscribe for such number of Underwritten Shares which will result in the shareholding of it and parties acting in concert with it in the Company to exceed 9.9% of the voting rights of the Company upon the completion of the Rights Issue. The Underwriter shall use its best endeavours to ensure that each of the subscribers of the Underwritten Shares procured by it or by the sub-agent(s) (a) shall be third parties independent of, not parties acting in concert with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates and concert parties; and (b) any subscribers procured by the Underwriter or by the sub-agent(s) shall not, together with any parties acting in concert with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue.

(iii) Pursuant to its underwriting obligations under the Underwriting Agreement.

## WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

**The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue and the Underwriting Agreement" under the section headed "Letter from the Board" of this Prospectus are not fulfilled or waived, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.**

**Shareholders should note that the existing Shares have been dealt in on an ex-rights basis from Friday, 29 June 2012. The Rights Shares in their nil-paid form will be dealt in from Friday, 20 July 2012 to Friday, 27 July 2012 (both days inclusive). Such dealings will take place when the conditions of the Rights Issue remain unfulfilled. Any person dealing in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled, which is currently expected to be 4:00 p.m. on Monday, 6 August 2012, and any person dealing in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or the Rights Shares and/or the nil-paid Rights Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.**

## PUBLIC FLOAT

The total number of Shares held by public shareholders will be (i) 7,281,688,062 Shares, representing approximately 46.05% of the issued share capital of the Company as enlarged by the Rights Shares (assuming no Rights Shares are taken up by the Qualifying Shareholders other than the Undertaking Shareholder) or (ii) 9,466,194,480 Shares, representing approximately 59.86% of the issued share capital of the Company as enlarged by the Rights Shares (assuming all the Rights Shares are taken up by the Qualifying Shareholders). On this basis, the Company expects that it will continue to be able to comply with the public float requirement under Rule 8.08 of the Listing Rules after completion of the Rights Issue.

## REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Company is an investment holding company and its subsidiaries are principally engaged in the distribution of gene testing services and bio-industrial products and the provision of health care management services.

The Board considers that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise.

Having considered other fund raising alternatives for the Group, including debt financing, and having assessed the cost and benefit of such alternatives, the Directors are of the view that the Rights Issue is the preferred means of fund raising as it allows the Company to raise long-term funds without subjecting it to additional debt and interest payments, while at the same time, enables the Company to improve its debt to equity ratio. The Rights Issue will also enable the Company to raise funds without dilution to Shareholders (other than the Excluded Shareholders) as they will have the opportunity to participate in the Rights Issue on a pro rata basis and to continue to participate in the future developments of the Group. **However, Qualifying Shareholders who do not take up in full the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted as a result of the Rights Issue.**

The proposed Rights Issue is intended to raise funds of about HK$80,285,753 (before expenses). The expenses in relation to the Rights Issue (including the underwriting fee, printing, registration, legal, accounting and documentation charges) are estimated to be approximately HK$3.51 million, and will be payable by the Company. The net proceeds from the Rights Issue are estimated to be approximately HK$76.78 million after the deduction of all estimated expenses. The net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HK$0.021.

The Company intends to apply the net proceeds from the Rights Issue in the following manner:

- approximately HK$40 million for the financing of and investing in businesses related to health care, pharmaceutical and biotechnology, including, but not limited to, oral insulin;
- approximately HK$30 million for the financing of and investing in businesses related to high technology, including, but not limited to, high-tech material fibers; and
- approximately HK$6.78 million for general working capital purposes of the Group.

The Company has conducted preliminary studies on the corresponding investment opportunities but no memorandum of understanding or agreement has been entered yet at the Latest Practicable Date. The Company will conduct further due-diligence and research on these investment opportunities and will make further announcements accordingly once the Company enters into the relevant agreements.

Accordingly, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

## TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding or disposal of, or dealing in the Rights Shares. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accept responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

## FUND-RAISING EXERCISES OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising exercises or any rights issue exercises in the past twelve months immediately preceding the Latest Practicable Date.

## ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

On behalf of the Board
**United Gene High-Tech Group Limited**
**Lee Nga Yan**
*Executive Director*

## A. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited and unaudited consolidated results and financial position of the Group for each of the three years ended 30 June 2009, 2010 and 2011 and for the six months ended 31 December 2011 as extracted from the respective annual and interim reports of the Company:

**Financial results of the Group**

| | For the six months ended 31 December | For the year ended 30 June | | |
|---|---|---|---|---|
| | 2011 | 2011 | 2010 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) | (Audited) | (Audited) |
| Turnover | 24,179 | 90,193 | 483,947 | 374,442 |
| (Loss)/profit before tax | (24,826) | 8,856 | 13,308 | 746,331 |
| Income tax credit/(expense) | 2,144 | (3,250) | (2,132) | (1,090) |
| (Loss)/profit attributable to: | | | | |
| Owners of the Company | (17,899) | 5,247 | 11,262 | 745,205 |
| Non-controlling interests | (4,783) | 359 | (86) | 36 |
| | (22,682) | 5,606 | 11,176 | 745,241 |

**Assets and liabilities**

| | As at 31 December | As at 30 June | | |
|---|---|---|---|---|
| | 2011 | 2011 | 2010 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) | (Audited) | (Audited) |
| Non-current assets | 139,139 | 134,305 | 77,315 | 41,718 |
| Current assets | 305,907 | 332,946 | 449,367 | 98,521 |
| Current liabilities | (13,253) | (10,442) | (97,075) | (32,311) |
| Non-current liabilities | (687) | (2,972) | — | — |
| Net assets | 431,106 | 453,837 | 429,607 | 107,928 |
| Attributable to: | | | | |
| Equity holders of the Company | 418,170 | 436,524 | 429,142 | 107,386 |
| Non-controlling interests | 12,936 | 17,313 | 465 | 542 |
| | 431,106 | 453,837 | 429,607 | 107,928 |

No qualified opinion has been expressed by the auditor of the Company on the audited consolidated financial statements for each of the years ended 30 June 2009, 2010 and 2011.

## B. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Set out below is the audited consolidated financial statements of the Group for the year ended 30 June 2011 as extracted from the annual report of the Company for the year ended 30 June 2011.

**Consolidated Statement of Comprehensive Income**
*For the year ended 30 June 2011*

| | *Notes* | **2011** *HK$'000* | **2010** *HK$'000* |
|---|---|---|---|
| **Turnover** | *7 & 9* | 90,193 | 483,947 |
| Cost of sales | | (56,686) | (442,967) |
| Gross profit | | 33,507 | 40,980 |
| Other income | *8* | 5,180 | 247 |
| Selling expenses | | (2,640) | (9,709) |
| Administrative expenses | | (27,352) | (18,026) |
| **Profit from operations** | | 8,695 | 13,492 |
| Gain on deconsolidation of the subsidiaries | *10* | 161 | — |
| Finance costs | *11* | — | (184) |
| **Profit before tax** | | 8,856 | 13,308 |
| Income tax expense | *12* | (3,250) | (2,132) |
| **Profit for the year** | *13* | 5,606 | 11,176 |
| **Other comprehensive income after tax:** | | | |
| Exchange differences on translating foreign operations | | 2,033 | 102 |
| Fair value changes of available-for-sale financial assets | | 508 | — |
| **Other comprehensive income for the year, net of tax** | | 2,541 | 102 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 8,147 | 11,278 |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | 5,247 | 11,262 |
| Non-controlling interests | | 359 | (86) |
| | | 5,606 | 11,176 |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Owners of the Company | | 7,574 | 11,355 |
| Non-controlling interests | | 573 | (77) |
| | | 8,147 | 11,278 |
| **Earnings per share** | *18* | | |
| Basic and Diluted *(HK cents per share)* | | 0.04 | 0.11 |

**Consolidated Statement of Financial Position**
*At 30 June 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 19 | 32,081 | 2,115 |
| Intangible assets | 21 | 100,270 | — |
| Goodwill | 22 | 1,954 | — |
| Prepayments, deposits and other receivables | 23 | — | 75,200 |
| | | 134,305 | 77,315 |
| **Current assets** | | | |
| Inventories | 24 | 118 | 569 |
| Prepayments, deposits and other receivables | 23 | 21,654 | 5,148 |
| Available-for-sale financial assets | 25 | 77,235 | — |
| Trade receivables | 26 | 11,672 | 99,426 |
| Bank and cash balances | | 222,267 | 344,224 |
| | | 332,946 | 449,367 |
| **Current liabilities** | | | |
| Trade payables | 27 | 1,301 | 87,077 |
| Accruals and other payables | 28 | 7,251 | 7,257 |
| Current tax liabilities | | 1,890 | 2,741 |
| | | 10,442 | 97,075 |
| **Net current assets** | | 322,504 | 352,292 |
| **Total assets less current liabilities** | | 456,809 | 429,607 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 29 | 2,972 | — |
| **NET ASSETS** | | 453,837 | 429,607 |
| **Capital and reserves** | | | |
| Share capital | 30 | 121,645 | 121,645 |
| Reserves | 31 | 314,879 | 307,497 |
| Equity attributable to owners of the Company | | 436,524 | 429,142 |
| Non-controlling interests | | 17,313 | 465 |
| **TOTAL EQUITY** | | 453,837 | 429,607 |

**Statement of Financial Position**
*At 30 June 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 19 | 210 | 285 |
| Investment in subsidiaries | 20 | — | — |
| | | 210 | 285 |
| **Current assets** | | | |
| Due from subsidiaries | 20 | 251,198 | 78,553 |
| Prepayments, deposits and other receivables | | 1,305 | 1,341 |
| Bank and cash balances | | 163,440 | 335,402 |
| | | 415,943 | 415,296 |
| **Current liabilities** | | | |
| Accruals and other payables | | 466 | 458 |
| **Net current assets** | | 415,477 | 414,838 |
| **NET ASSETS** | | 415,687 | 415,123 |
| **Capital and reserves** | | | |
| Share capital | 30 | 121,645 | 121,645 |
| Reserves | 31 | 294,042 | 293,478 |
| **TOTAL EQUITY** | | 415,687 | 415,123 |

## Consolidated Statement of Changes in Equity

*For the year ended 30 June 2011*

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium account** | **Investment revaluation reserve** | **Statutory reserve** | **Foreign currency translation reserve** | **Accumulated losses** | **Total** | **Non-controlling interests** | **Total equity** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 July 2009 | 60,823 | 476,544 | — | — | 115 | (430,096) | 107,386 | 542 | 107,928 |
| Total comprehensive income for the year | — | — | — | — | 93 | 11,262 | 11,355 | (77) | 11,278 |
| Shares issued on rights issue *(note 30(a))* | 60,822 | 249,579 | — | — | — | — | 310,401 | — | 310,401 |
| At 30 June 2010 | 121,645 | 726,123 | — | — | 208 | (418,834) | 429,142 | 465 | 429,607 |
| At 1 July 2010 | 121,645 | 726,123 | — | — | 208 | (418,834) | 429,142 | 465 | 429,607 |
| Acquisition of a subsidiary | — | — | — | — | — | — | — | 7,018 | 7,018 |
| Further capital injection by an non-controlling interest | — | — | — | — | — | — | — | 9,718 | 9,718 |
| Total comprehensive income for the year | — | — | 508 | — | 1,819 | 5,247 | 7,574 | 573 | 8,147 |
| Transfer to statutory reserve | — | — | — | 1,319 | — | (1,319) | — | — | — |
| Deconsolidation of the subsidiaries *(note 10)* | — | — | — | — | (192) | — | (192) | (461) | (653) |
| At 30 June 2011 | 121,645 | 726,123 | 508 | 1,319 | 1,835 | (414,906) | 436,524 | 17,313 | 453,837 |

**Consolidated Statement of Cash Flows**
*For the year ended 30 June 2011*

| | *Notes* | **2011** *HK$'000* | **2010** *HK$'000* |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before tax | | 8,856 | 13,308 |
| Adjustment for: | | | |
| Depreciation | | 764 | 456 |
| Amortization of an intangible asset | | 1,208 | — |
| (Gain)/loss on disposals of property, plant and equipment | | (27) | 4 |
| Gain on deconsolidation of the subsidiaries | | (161) | — |
| Interest income | | (1,640) | (204) |
| Net gain on available-for-sale financial assets | | (532) | — |
| Finance costs | | — | 184 |
| Operating cash flows before working capital changes | | 8,468 | 13,748 |
| Changes in inventories | | (5) | 1,824 |
| Changes in prepayment, deposits and other receivables | | 58,932 | (22,509) |
| Changes in trade receivables | | 89,327 | (95,202) |
| Changes in trade payables | | (84,882) | 62,184 |
| Changes in accruals and other payables | | 643 | 842 |
| Cash generated from/(used in) operations | | 72,483 | (39,113) |
| Tax paid | | (4,838) | (394) |
| **Net cash generated from/(used in) operating activities** | | 67,645 | (39,507) |

| | Notes | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|---|
| **Cash flow from investing activities** | | | |
| Interest received | | 1,640 | 204 |
| Purchases of property, plant and equipment | | (23,262) | (1,330) |
| Proceeds on sale of property, plant and equipment | | 292 | 490 |
| Purchases of intangible assets | *21* | (82,913) | — |
| Net cash outflow on acquisition of subsidiaries | *32* | (18,960) | — |
| Purchases of available-for-sale financial assets | | (84,243) | — |
| Proceeds on sale of available-for-sale financial assets | | 7,356 | — |
| Deconsolidation of the subsidiaries | *10* | (99) | — |
| **Net cash used in investing activities** | | (200,189) | (636) |
| **Cash flow from financing activities** | | | |
| Interest paid | | — | (184) |
| Proceeds on issue of shares | | — | 316,277 |
| Share issue expenses paid | | — | (5,876) |
| Further capital injection by an non-controlling interest | | 9,718 | — |
| **Net cash generated from financing activities** | | 9,718 | 310,217 |
| **Net (decrease)/increase in cash and cash equivalents** | | (122,826) | 270,074 |
| Effect of foreign exchange rate changes | | 869 | 85 |
| Cash and cash equivalents at beginning of year | | 344,224 | 74,065 |
| **Cash and cash equivalents at end of year** | | 222,267 | 344,224 |
| **Analysis of cash and cash equivalents** | | | |
| Bank and cash balances | | 222,267 | 344,224 |

## Notes to the Financial Statements

*For the year ended 30 June 2011*

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in Hong Kong is situated at Rooms No. 1405–1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the financial statements.

The ultimate holding company of the Company is United Gene Holdings Limited, being wholly owned by Dr. Mao Yumin ("Dr. Mao").

### 2. BASIS OF PREPARATION

**Deconsolidation of the subsidiaries**

On 8 March 2011, First Jumbo Trading Limited ("First Jumbo"), which direct held 80% equity interest of the Co-operative Joint Venture（山東特利爾醫藥有限公司）(the "CJV"), passed the written resolutions by its sole director and sole shareholder respectively to voluntarily wind up First Jumbo. The Group therefore lost control on its subsidiaries, First Jumbo and the CJV since then. As such, the financial results, assets, liabilities and cash flows of First Jumbo and the CJV were therefore deconsolidated from the consolidated financial statements of the Group since the date of loss of control of these subsidiaries.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 July 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"), and Interpretations. The adoption of these new and revised HKFRSs did not result in any substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. 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 material impact on its results of operations and financial position.

### 4. SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance**

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and investments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

**Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intergroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

**Business combination and goodwill**

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

If the business combination achieved in stages, the previously held equity interest in the subsidiary is re-measured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy "Impairment of assets" below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

**Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

*(b) Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

*(c) Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**Property, plant and equipment**

Land and buildings comprise mainly factories and offices. Land and buildings are carried at fair values less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of land and buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and building, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

| | |
|---|---|
| Land | Over the lease terms |
| Buildings | Over the lease terms or 30 years, whichever is shorter |
| Plant and machinery | 3–10 years |
| Motor vehicles | 3–8 years |

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

**Operating leases**

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**Intangible assets**

Intangible assets are stated at cost less accumulated amortization and impairment losses. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Such intangible assets are amortized on a straight-line basis over the useful economic life. When the rights have indefinite useful lives as there is no foreseeable limit on the period of time over which the rights are expected to provide cash flows, these rights are assessed for impairment annually and whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least at each reporting period.

**Research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's health care management services business development is recognised only if all of the following conditions are met:

— An asset is created that can be identified (such as software and new processes);

— It is probable that the asset created will generate future economic benefits; and

— The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

**Recognition and derecognition of financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

**Investments**

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

**Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

**Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

**Trade and other payables**

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

**Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from trading of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenues from the distribution of gene testing services are recognised when the testing services cards have been sold to the customers and the Group has no further obligation to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

**Government grants**

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

**Employee benefits**

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

**Taxation**

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Related parties**

A party is related to the Group if:

(a) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or under common control with the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate;

(c) the party is a joint venture;

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

**Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**Impairment of assets**

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or 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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

**Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

## 5. KEY ESTIMATES

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*(a) Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

*(b) Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately HK$1,954,000. No impairment loss was recognised during the year ended 30 June 2011.

*(c) Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

*(d) Useful life and recoverability of intangible assets*

The Group determines the estimated useful lives and related amortisation charges for the Group's intangible assets based on the historical experience of the actual useful lives of intangible assets of similar nature and functions as well as the contractual terms of intangible assets being purchased by the Group.

The recoverable amount of the permanent exclusive and non-exclusive rights for distribution of gene testing services is determined from the value in use calculation and the Group considered the carrying amount of approximately HK$79,718,000 as included in the consolidated statement of financial position as at 30 June 2011 was fairly stated. Besides, the Group also considered the carrying amounts of its research and development arising from provision of health care management services project and the exclusive distribution rights of bio-industrial products, which were included in the consolidated statement of financial position as at 30 June 2011 at approximately HK$3,269,000 and HK$17,283,000 respectively. Provision of health care management services project and the distribution of bio-industrial products business continue to progress in a satisfactory manner, and the Group is confident that the carrying amounts of these intangible assets will be recovered in full. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

## 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and fair value. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### (b) Price risk

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to security price risk. The Directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

As at 30 June 2011, if the interest rate had increased/decreased by 1% with all other variables held constant and the Group's available-for-sale financial assets moved according to the historical correlation with the interest rate, the fair value of these available-for-sale financial assets would decrease/increase by 2.73%. The change in fair value would be recognised as other comprehensive income in the consolidated statement of comprehensive income.

### (c) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 30 June 2011 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables, available-for-sale financial assets and bank and cash balances.

In order to minimise credit risk, the Directors has delegated the relative staffs to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The credit risk on available-for-sale financial assets is limited because the counterparty is a well-established investment banker in Hong Kong. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

**(d) Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All financial liabilities of the Group are matured within 1 year.

**(e) Fair values**

Level 1 "quoted prices (unadjusted) in active markets for identical assets or liabilities" was adopted in the fair value measurements on the Group's available-for-sale financial assets as at 30 June 2011.

The carrying amounts of the Group's other financial assets and financial liabilities are reflected in the consolidated statement of financial position approximate their respective fair values.

## 7. TURNOVER

The Group's turnover is as follows:

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Distribution of: | | |
| Pharmaceutical products | — | 230,923 |
| Gene testing services | 71,242 | 253,024 |
| Bio-industrial products | 18,951 | — |
| | 90,193 | 483,947 |

## 8. OTHER INCOME

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interest income | 1,640 | 204 |
| Net gain on available-for-sale financial assets | 532 | — |
| Government grant from the People's Republic of China (the "PRC") for a health care management services project | 2,938 | — |
| Gain on disposals of property, plant and equipment | 27 | — |
| Sundry income | 43 | 43 |
| | 5,180 | 247 |

## 9. SEGMENT INFORMATION

The Group has four reportable segments as follows:

(a) distribution of pharmaceutical products

(b) distribution of gene testing services

(c) distribution of bio-industrial products

(d) provision of health care management services

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the financial statements. Segment profits or losses do not include gains or losses from investments. Segment assets do not include amounts due from related parties and investments. Segment liabilities do not include amounts due to related parties.

| | **Distribution of pharmaceutical products** | | **Distribution of gene testing services** | | **Distribution of bio-industrial products** | | **Provision of health care management services** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Years ended 30 June 2011 and 2010:** | | | | | | | | | | |
| Revenue from external customers | — | 230,923 | 71,242 | 253,024 | 18,951 | — | — | — | 90,193 | 483,947 |
| Segment profit/(loss) after income tax expense | 138 | (586) | 6,006 | 11,621 | 1,244 | — | (3,074) | — | 4,314 | 11,035 |
| Additional disclosures for operating segments: | | | | | | | | | | |
| Additions to property, plant and equipment | — | 5 | 365 | 1,285 | 17,095 | — | 5,802 | — | 23,262 | 1,290 |
| Additions to intangible assets | — | — | 79,718 | — | 17,658 | — | 3,195 | — | 100,571 | — |
| Interest income | — | 6 | 114 | 6 | 59 | — | 15 | — | 188 | 12 |
| Interest expense | — | 332 | 4,741 | 3,862 | — | — | — | — | 4,741 | 4,194 |
| Depreciation | 43 | 83 | 565 | 300 | 51 | — | 30 | — | 689 | 383 |
| Amortization | — | — | — | — | 1,208 | — | — | — | 1,208 | — |
| Income tax expense/(credit) | — | 43 | 3,068 | 2,089 | (55) | — | 237 | — | 3,250 | 2,132 |
| **At 30 June 2011 and 2010:** | | | | | | | | | | |
| Segment assets | — | 15,550 | 140,778 | 174,103 | 63,315 | — | 20,942 | — | 225,035 | 189,653 |
| Segment liabilities | — | 15,033 | 5,058 | 81,584 | 3,650 | — | 4,228 | — | 12,936 | 96,617 |

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Years ended 30 June 2011 and 2010:** | | |
| **Reconciliation of reportable segment profit, assets and liabilities:** | | |
| **Profit** | | |
| Total profit of reportable segments | 4,314 | 11,035 |
| Corporate and other expenses | (8,212) | (8,143) |
| Elimination of inter-companies expenses | 7,479 | 8,048 |
| Unallocated income: | | |
| Other income | 2,025 | 236 |
| Consolidated profit for the year | 5,606 | 11,176 |
| **Assets** | | |
| Total assets of reportable segments | 225,035 | 189,653 |
| Corporate and other assets | 242,216 | 337,029 |
| Consolidated total assets | 467,251 | 526,682 |
| **Liabilities** | | |
| Total liabilities of reportable segments | 12,936 | 96,617 |
| Corporate and other liabilities | 478 | 458 |
| Consolidated total liabilities | 13,414 | 97,075 |

The Group's operations are principally located in Hong Kong and the PRC. The Group's revenue from external customers and information about its non-current assets and additions to property, plant and equipment by geographical location of the assets are as follows:

| | Revenue | | Non-current assets | | Additions to property, plant and equipment | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| The PRC | 86,034 | 473,003 | 133,160 | 1,792 | 23,262 | 1,258 |
| Hong Kong and other regions | 4,159 | 10,944 | 1,145 | 75,523 | — | 72 |
| | 90,193 | 483,947 | 134,305 | 77,315 | 23,262 | 1,330 |

## 10. GAIN ON DECONSOLIDATION OF THE SUBSIDIARIES

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Gain on deconsolidation of the subsidiaries | 161 | — |

As disclosed in note 2 to the financial statements, the control over certain subsidiaries including First Jumbo and the CJV had been lost since 8 March 2011. As such, the financial results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group.

Net assets of these subsidiaries as at the date of deconsolidation were as follows:

| | |
|---|---|
| | *HK$'000* |
| Property, plant and equipment | 928 |
| Inventories | 581 |
| Trade receivables | 461 |
| Prepayments, deposits and other receivables | 762 |
| Bank and cash balances | 99 |
| Trade payables | (894) |
| Accruals and other payables | (1,445) |
| Net assets deconsolidated | 492 |
| Non-controlling interest | (461) |
| Release of foreign currency translation reserve | (192) |
| Gain on deconsolidation of the subsidiaries | (161) |
| Net cash outflow arising on deconsolidation of the subsidiaries: | |
| Cash and cash equivalents of the deconsolidated subsidiaries | (99) |

## 11. FINANCE COSTS

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interest on bank loans | — | 184 |

## 12. INCOME TAX EXPENSE

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Current tax — Hong Kong Profits Tax | | |
| Provision for the year | — | 2,371 |
| Over-provision in prior years | — | (329) |
| Current tax — The PRC | | |
| Provision for the year | 3,163 | 90 |
| Deferred tax *(note 29)* | 87 | — |
| | 3,250 | 2,132 |

No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2011 (the "Financial Year") as the Group did not generate any assessable profit arising in Hong Kong during the Financial Year. Hong Kong Profits Tax had been provided at a rate of 16.5% based on the assessable profit for the year ended 30 June 2010.

Tax charge 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, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the profit before tax is as follows:

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Profit before tax | 8,856 | 13,308 |
| Tax at the domestic income tax rate of 16.5% (2010: 16.5%) | 1,461 | 2,196 |
| Tax effect of net income that is not taxable and net expenses that are not deductible | 252 | (94) |
| Effect of difference in tax rates of subsidiaries operating in other jurisdictions | 529 | 30 |
| Utilisation of previously unrecognised tax losses | (7) | — |
| Unrecognised tax losses | 1,015 | — |
| Income tax expense | 3,250 | 2,132 |

## 13. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Amortization of an intangible asset | 1,208 | — |
| Depreciation | 764 | 456 |
| Directors' emoluments | 1,148 | 1,450 |
| Operating lease charges on land and buildings | 5,886 | 2,840 |
| Auditor's remuneration | 550 | 530 |
| Cost of inventories sold | 15,203 | 227,157 |
| Loss on disposals of property, plant and equipment | — | 4 |
| Staff costs including directors' emoluments | | |
| Salaries, bonus and other benefits | 8,256 | 6,906 |
| Retirement benefits scheme contributions | 1,279 | 800 |
| | 9,535 | 7,706 |

## 14. DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of each Director were as follows:

| | Fee | Salaries and discretionary bonus | Other benefits | Retirement benefit scheme contributions | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Name of Directors** | | | | | |
| Shen Xiaodong *(note a)* | — | 170 | — | 6 | 176 |
| Jiang Jian | — | 390 | — | 13 | 403 |
| Qin Yilong *(note b)* | — | 370 | — | 7 | 377 |
| Lee Nga Yan *(note g)* | — | 22 | — | 1 | 23 |
| Zhang Huiming *(note c)* | 38 | — | — | — | 38 |
| Chen Weijun *(note d)* | 60 | — | — | — | 60 |
| Jiang Di *(note e)* | 38 | — | — | — | 38 |
| Jiang Nian *(note f)* | 21 | — | — | — | 21 |
| Zhang Zhihong *(note g)* | 3 | — | — | — | 3 |
| Wang Rongliang *(note g)* | 3 | — | — | — | 3 |
| Wu Yanmin *(note g)* | 3 | — | — | — | 3 |
| Guo Yi *(note g)* | 3 | — | — | — | 3 |
| Total for 2011 | 169 | 952 | — | 27 | 1,148 |
| Shen Xiaodong *(note a)* | — | 396 | 148 | 12 | 556 |
| Jiang Jian | — | 396 | — | — | 396 |
| Qin Yilong *(note b)* | — | 316 | — | — | 316 |
| Zhang Huiming *(note c)* | 40 | — | — | — | 40 |
| Chen Weijun *(note d)* | 39 | — | — | — | 39 |
| Jiang Di *(note e)* | 2 | — | — | — | 2 |
| Leung Wai Cheung *(note h)* | 63 | — | — | — | 63 |
| Zhu Lijun *(note i)* | 38 | — | — | — | 38 |
| Total for 2010 | 182 | 1,108 | 148 | 12 | 1,450 |

*Notes:*

(a) Resigned on 21 December 2010

(b) Appointed on 9 September 2009 and resigned on 10 June 2011

(c) Appointed on 13 May 2009 and resigned on 8 June 2011

(d) Appointed on 6 November 2009

(e) Appointed on 9 June 2010 and resigned on 8 June 2011

(f) Appointed on 21 December 2010

(g) Appointed on 8 June 2011

(h) Resigned on 6 November 2009

(i) Resigned on 9 June 2010

The five highest paid individuals in the Group during the year included three (2010: three) Directors whose emolument is reflected in the analysis presented above. The emoluments of the remaining two (2010: two) individuals are set out below:

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Basic salaries and discretionary bonus | 844 | 805 |
| Retirement benefit scheme contributions | 23 | 22 |
| | 867 | 827 |

The emoluments fell within the following band:

| | Number of individuals | |
|---|---|---|
| | 2011 | 2010 |
| Nil–HK$1,000,000 | 2 | 2 |

During the year, no emoluments were paid by the Group to any of the Directors nor the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 15. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

## 16. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit for the year attributable to owners of the Company included a profit of approximately HK$564,000 (2010: approximately HK$2,150,000) which has been dealt with in the financial statements of the Company.

## 17. DIVIDENDS

The Directors do not recommend the payment of a dividend for the Financial Year (2010: Nil).

## 18. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$5,247,000 (2010: approximately HK$11,262,000) and the weighted average number of ordinary shares of 12,164,508,062 (2010: 10,370,381,987) in issue during the Financial Year.

**Diluted earnings per share**

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 30 June 2011.

## 19. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Plant and machinery | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **THE GROUP** | | | | | |
| **Cost or valuation** | | | | | |
| At 1 July 2009 | 924 | 549 | 380 | — | 1,853 |
| Additions | — | 983 | 347 | — | 1,330 |
| Disposals | — | (247) | (380) | — | (627) |
| Exchange differences | 15 | 3 | — | — | 18 |
| At 30 June and 1 July 2010 | 939 | 1,288 | 347 | — | 2,574 |
| Acquisition of subsidiaries | 6,950 | 1,062 | 256 | — | 8,268 |
| Additions | — | 6,193 | — | 17,069 | 23,262 |
| Disposals | — | — | (354) | — | (354) |
| Deconsolidation of subsidiaries | (959) | (208) | — | — | (1,167) |
| Exchange differences | 285 | 36 | 22 | 74 | 417 |
| At 30 June 2011 | 7,215 | 8,371 | 271 | 17,143 | 33,000 |
| **Accumulated depreciation** | | | | | |
| At 1 July 2009 | — | 125 | 10 | — | 135 |
| Charge for the year | — | 347 | 109 | — | 456 |
| Written back on disposals | — | (48) | (86) | — | (134) |
| Exchange differences | — | 2 | — | — | 2 |
| At 30 June and 1 July 2010 | — | 426 | 33 | — | 459 |
| Charge for the year | 31 | 642 | 91 | — | 764 |
| Written back on disposals | — | — | (89) | — | (89) |
| Written back on deconsolidation of subsidiaries | (31) | (208) | — | — | (239) |
| Exchange differences | — | 20 | 4 | — | 24 |
| At 30 June 2011 | — | 880 | 39 | — | 919 |
| **Carrying amounts** | | | | | |
| At 30 June 2011 | 7,215 | 7,491 | 232 | 17,143 | 32,081 |
| At 30 June 2010 | 939 | 862 | 314 | — | 2,115 |

The analysis of the cost or valuation of the above assets is as follows:

| | **Land and buildings** | **Plant and machinery** | **Motor vehicles** | **Construction in progress** | **Total** |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| As at 30 June 2011 | | | | | |
| At cost | — | 8,371 | 271 | 17,143 | 25,785 |
| At valuation | 7,215 | — | — | — | 7,215 |
| | 7,215 | 8,371 | 271 | 17,143 | 33,000 |
| As at 30 June 2010 | | | | | |
| At cost | — | 1,288 | 347 | — | 1,635 |
| At valuation | 939 | — | — | — | 939 |
| | 939 | 1,288 | 347 | — | 2,574 |

The carrying amount of the Group's buildings would have been approximately HK$939,000 as at 30 June 2010 had they been stated at cost less accumulated depreciation and impairment losses.

The carrying amount of the Group's leasehold land and buildings would have been approximately HK$7,215,000 as at 30 June 2011, which was revalued on 30 June 2011 by an independent professionally qualified valuer, LCH (Asia-Pacific) Surveyors Limited, at approximately HK$7,215,000 on an open market value use basis.

| | **Plant and equipment** |
|---|---|
| | *HK$'000* |
| **THE COMPANY** | |
| **Cost** | |
| At 1 July 2009 | 337 |
| Additions | 40 |
| At 30 June 2010 and 2011 | 377 |
| **Accumulated depreciation** | |
| At 1 July 2009 | 18 |
| Charge for the year | 74 |
| At 30 June and 1 July 2010 | 92 |
| Charge for the year | 75 |
| At 30 June 2011 | 167 |
| **Carrying amounts** | |
| At 30 June 2011 | 210 |
| At 30 June 2010 | 285 |

## 20. INVESTMENT IN SUBSIDIARIES

| | THE COMPANY 2011 *HK$'000* | 2010 *HK$'000* |
|---|---|---|
| Unlisted investment, at cost | — | — |

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

Particulars of the subsidiaries as at 30 June 2011 are shown in note 36 to the financial statements.

## 21. INTANGIBLE ASSETS

**THE GROUP**

| | **Permanent exclusive & non-exclusive rights — distribution of gene testing services** *(note a)* *HK$'000* | **Exclusive rights — distribution of bio-industrial products** *(note b)* *HK$'000* | **Research and development — provision of health care management services** *(note c)* *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| **Cost** | | | | |
| Additions | 79,718 | — | 3,195 | 82,913 |
| Acquisition of a subsidiary | — | 17,658 | — | 17,658 |
| Exchange difference | — | 861 | 74 | 935 |
| At 30 June 2011 | 79,718 | 18,519 | 3,269 | 101,506 |
| **Accumulated amortization** | | | | |
| Amortization for the year | — | 1,208 | — | 1,208 |
| Exchange difference | — | 28 | — | 28 |
| At 30 June 2011 | — | 1,236 | — | 1,236 |
| **Carrying amounts** | | | | |
| At 30 June 2011 | 79,718 | 17,283 | 3,269 | 100,270 |

*Notes:*

(a) On 13 December 2010, the Group obtained permanent exclusive rights for distribution of gene testing services in the regions of the PRC, Hong Kong and Macau, the permanent non-exclusive rights for the distribution of gene testing services in the other regions, as well as the right of use of certain logos on the gene testing services distributed by the Group.

The recoverable amount of these permanent exclusive and non-exclusive rights is determined from value in use calculation.

The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to these permanent exclusive and non-exclusive rights. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of these permanent exclusive and non-exclusive rights operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from these permanent exclusive and non-exclusive rights is 18.68%.

(b) On 1 January 2010, CNL (Pinghu) Biotech Co. Ltd. ("CNL (Pinghu)") entered into the exclusive agency agreement with its supplier, Sonac Vuren BV ("Sonac"). Sonac granted the exclusive distribution rights to CNL (Pinghu) for distribution of its bone chips and bone fat in the PRC for a term of five years and which would be automatically renewed for another ten years subject to no objection is raised by either party before 31 December 2014. The Group acquired CNL (Pinghu) on 13 July 2010, and made the valuation of intangible assets for its exclusive distribution rights for the term of 14.5 years by the professional surveyor at the amount of approximately RMB15.40 million, which were amortized under the term of 14.5 years.

(c) Research and development refers to the costs of staff, rental and management expenses and testing materials specifically attributable to provision of health care management services project which would generate probable future economic benefits for a term of five years. The research and development cost is to be amortised on a straight-line basis accordingly. No amortisation expense was recognised in the consolidated financial statements as the health care management services project has not been launched during the Financial Year.

## 22. GOODWILL

| | THE GROUP | |
|---|---|---|
| | **2011** | **2010** |
| | *HK$'000* | *HK$'000* |
| Arising on acquisition of a subsidiary *(note 32(b))* | 1,954 | — |

The Group acquired 70% equity interest of CNL (Pinghu) on 13 July 2010. This transaction has been accounted for by the acquisition method of accounting.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to the distribution of bio-industrial products.

The recoverable amounts of the CGUs are determined from value in use calculation.

The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 5%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's sale of bio-industrial products is 18.54%.

## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | THE GROUP | |
|---|---|---|
| | **2011** | **2010** |
| | *HK$'000* | *HK$'000* |
| **Non-current portion** | | |
| Deposit for entering the distributorship rights *(note a)* | — | 40,000 |
| Loans under the Franchise Agreements *(note b)* | — | 35,200 |
| | — | 75,200 |
| **Current portion** | | |
| Prepayment for purchases of property, plant and equipment | 9,079 | — |
| Rental, management fee and other deposits | 2,480 | 672 |
| Receivable from sale of available-for-sale financial assets | 4,014 | — |
| Prepayment for purchases of goods | — | 3,164 |
| Advancement to distributors | 2,724 | — |
| Others | 3,357 | 1,312 |
| | 21,654 | 5,148 |
| **Total** | 21,654 | 80,348 |

*Notes:*

(a) On 2 May 2008, China United Gene Health Limited ("United Gene Health"), a subsidiary of the Group, entered into an exclusive distribution agreement for a period of five years with China United Gene Health Industry Limited ("China United") to act as its exclusive distributor of gene testing services in Hong Kong. On 12 August 2008, United Gene Health paid a non-interest bearing deposit of HK$40,000,000 to China United as a guarantee that the annual turnover of United Gene Health would meet the minimum annual sales figures (the "Sales Target") set out in the exclusive distribution agreement. Pursuant to a letter dated 16 March 2009, China United agreed to grant an additional non-exclusive right to United Gene Health for the distribution of gene testing services in the PRC. On 8 November 2010, United Gene Health and China United entered into a termination agreement for such sub-grants with effect from 13 December 2010. The non-interest bearing deposit of HK$40,000,000 had been fully received during the Financial Year.

(b) United Gene Health entered into five franchise agreements (collectively the "Franchise Agreements" or individually a "Franchise Agreement") with five independent distributors, namely Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited (collectively the "Distributors" or individually a "Distributor") for a period of five years on 15 July 2009. Under the Franchise Agreements, United Gene Health (i) appointed the Distributors as its distributors of the gene testing services in the PRC; and (ii) advanced non-interest bearing loans to the Distributors in the amount of HK$6,000,000, HK$8,000,000, HK$8,000,000, HK$10,000,000 and HK$12,000,000 respectively (collectively the "Loans" or individually a "Loan"), for the sole purpose of soliciting business and organizing marketing activities as permitted by United Gene Health. An undertaking had been given to United Gene Health by each of the Distributors to generate annual sales attributable to the distribution of gene testing services in the PRC of not less than HK$24,000,000, HK$32,000,000, HK$32,000,000, HK$40,000,000 and HK$48,000,000 respectively (collectively the "Specified Amounts" or individually a "Specified Amount"). In the event that the sales generated by any Distributor in any one year was equal to or in excess of the Specified Amount relevant to that Distributor, United Gene Health agreed to waive the repayment of 20% of the Loan by the relevant Distributor, which would otherwise have to be repaid to United Gene Health within three business days after the review made by United Gene Health, pursuant to the relevant Franchise Agreement. For the financial year ended 30 June 2010, all Distributors had achieved the Specified Amount so that United Gene Health had waived the repayment of 20% of the Loans, that is HK$8,800,000, by the Distributors. On 3 May 2011, United Gene Health entered into five termination agreements (collectively the "Termination Agreements" or individually a "Termination Agreement") with each of the Distributors and mutually agreed to terminate the Franchise Agreements with effect from the same date. Pursuant to the Termination Agreements, United Gene Health agreed to waive the respective Loan for the year of July 2010 to June 2011 proportionately, based on the percentage of sales generated by each Distributor for the period of July 2010 to March 2011 to its relevant Specified Amount. A total amount of HK$1,762,283 had been waived accordingly. The remaining balance of the Loans under the Franchise Agreements in the sum of HK$33,437,717 had been fully received before 30 June 2011.

## 24. INVENTORIES

| | **THE GROUP** | |
|---|---|---|
| | **2011** | **2010** |
| | *HK$'000* | *HK$'000* |
| Merchandises | 118 | 569 |

## 25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **THE GROUP** | |
|---|---|---|
| | **2011** | **2010** |
| | *HK$'000* | *HK$'000* |
| Bonds at fair value | | |
| Listed in Hong Kong | 5,071 | — |
| Listed outside Hong Kong | 72,164 | — |
| | 77,235 | — |

All the above bonds are classified as current assets.

The investments in bonds listed in and outside Hong Kong offer the Group the opportunity for return through the coupon interest income and the capital appreciation. None of these available-for-sale financial assets is either past due or impaired.

The fair values of these listed bonds are based on current bid prices.

## 26. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 180 days. Each customer has a maximum credit limit or is replaced by the repayment of the bills honoured by the bank. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of trade receivables, based on the invoice date, is as follows:

| | THE GROUP | |
|---|---|---|
| | **2011** | **2010** |
| | *HK$'000* | *HK$'000* |
| 30 days or less | 10,470 | 26,006 |
| 31 to 60 days | 1,202 | 24,751 |
| 61 to 180 days | — | 47,655 |
| Over 180 days | — | 1,014 |
| | 11,672 | 99,426 |

As at 30 June 2011 and 2010, no allowance was made for the trade receivables.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Renminbi ("RMB") | 11,616 | 9,543 |
| Hong Kong dollars | 56 | 89,883 |
| | 11,672 | 99,426 |

## 27. TRADE PAYABLES

The aging analysis of trade payables, based on the invoice date, is as follows:

| | THE GROUP | |
|---|---|---|
| | **2011** | **2010** |
| | *HK$'000* | *HK$'000* |
| 30 days or less | 1,301 | 23,100 |
| 31 to 60 days | — | 21,248 |
| 61 to 180 days | — | 39,984 |
| Over 180 days | — | 2,745 |
| | 1,301 | 87,077 |

The carrying amounts of the Group's trade payables are denominated in the following currencies:

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| RMB | 442 | 9,072 |
| Hong Kong dollars | 859 | 78,005 |
| | 1,301 | 87,077 |

### 28. ACCRUALS AND OTHER PAYABLES

| | THE GROUP 2011 *HK$'000* | 2010 *HK$'000* |
|---|---|---|
| Accruals and other payables | 7,251 | 4,461 |
| Due to directors of subsidiaries | — | 1,946 |
| Due to a non-controlling shareholder | — | 850 |
| | 7,251 | 7,257 |

### 29. DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group.

| | Revaluation of intangible assets and leasehold land *HK$'000* | Rental expenses under lease term *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| Arising on acquisition of a subsidiary *(note 32(b))* | 2,750 | — | 2,750 |
| Exchange differences | 130 | 5 | 135 |
| Income statement for the year | (151) | 238 | 87 |
| At 30 June 2011 | 2,729 | 243 | 2,972 |

At the end of the reporting period, the Group has unused tax losses of approximately HK$7,636,000 (2010: approximately HK$6,006,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

### 30. SHARE CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

| | 2011 *HK$'000* | 2010 *HK$'000* |
|---|---|---|
| *Authorized :* | | |
| 50,000,000,000 ordinary shares of HK$0.01 each | 500,000 | 500,000 |
| *Issued and fully paid:* | | |
| 12,164,508,062 ordinary shares of HK$0.01 each | 121,645 | 121,645 |

*Note:*

(a) On 19 March 2010, the Company entered into an underwriting agreement with Best Champion Holdings Limited, the substantial shareholder of the Company, and Grand Investment (Securities) Limited, both acting as underwriters, to fully underwrite the proposed rights issue shares to the shareholders of the Company on the basis of one rights share for every existing share in issue, which resulted in the issue of 6,082,254,031 new ordinary shares of HK$0.01 each on 20 May 2010, at the subscription price of HK$0.052 per rights share. It had raised net funds of approximately HK$310.4 million upon completion of the rights issue after deducting the total rights issue expenses of approximately HK$5.9 million.

## 31. RESERVES

### (a) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

### (b) The Company

| | *Notes* | **Share premium account** *HK$'000* | **Capital reserve** *HK$'000* | **Accumulated losses** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|
| At 1 July 2009 | | 476,544 | 104,915 | (539,710) | 41,749 |
| Profit for the year | *16* | — | — | 2,150 | 2,150 |
| Shares issued pursuant to rights issue | *30(a)* | 249,579 | — | — | 249,579 |
| At 30 June 2010 | | 726,123 | 104,915 | (537,560) | 293,478 |
| At 1 July 2010 | | 726,123 | 104,915 | (537,560) | 293,478 |
| Profit for the year | *16* | — | — | 564 | 564 |
| At 30 June 2011 | | 726,123 | 104,915 | (536,996) | 294,042 |

### (c) Nature and purpose of reserves

*(i) Share premium account*

Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, subject to the Company's memorandum and articles of association, the funds in the share premium account of the Company are distributable to owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

*(ii) Capital reserve*

Capital reserve represents the difference between the nominal value of the share/registered capital of the subsidiaries acquired, pursuant to the reorganisation scheme which rationalising the structure of the Group for the listing of the Company's shares on the Stock Exchange and completed on 26 July 2002, over the nominal value of the share capital of the Company issued in exchange therefore.

*(iii) Statutory reserve*

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

*(iv) Investment revaluation reserve*

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4 the financial statements

*(v) Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the financial statements.

## 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Acquisition of a subsidiary — Fudan Health International (HK) Limited ("Fudan HK")

On 13 December 2010, the Group acquired 100% of the issued share capital of Fudan HK for a cash consideration of approximately HK$1,533,000. Fudan HK was engaged in the provision of gene testing services during the Financial Year. The acquisition is for the purpose of manufacture, research and development of gene testing products to the Group.

The carrying amount of the identifiable assets and liabilities of Fudan HK acquired as at its date of acquisition is same as their fair values, which are disclosed as follows:

Net assets acquired:

| | *HK$'000* |
|---|---|
| Property, plant and equipment | 1,042 |
| Inventories | 68 |
| Prepayments, deposits and other receivables | 290 |
| Bank and cash balances | 133 |
| | 1,533 |
| Satisfied by: | |
| Cash | 1,533 |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid | (1,533) |
| Cash and cash equivalents acquired | 133 |
| | (1,400) |

Fudan HK contributed approximately nil and loss of approximately HK$673,000 to the Group's turnover and profit for the Financial Year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 July 2010, total Group turnover for the Financial Year would remain unchanged at approximately HK$90,193,000, and profit for the Financial Year would have been approximately HK$5,028,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2010, nor is intended to be a projection of future results.

**(b) Acquisition of a subsidiary — CNL (Pinghu)**

On 13 July 2010, the Group acquired 70% of the issued share capital of CNL (Pinghu) at a total amount of approximately HK$18,359,000 during the Financial Year. CNL (Pinghu) was engaged in the wholesale business of bone chips in the PRC during the Financial Year. The acquisition is for the purpose of distribution of bio-industrial products to the Group.

After the completion of the acquisition, the Group further contributed a total amount of approximately HK$21,995,000 to CNL (Pinghu) which was in proportion to its shareholding in CNL (Pinghu) during the Financial Year, pursuant to the agreements mutually agreed and signed by the Group and the non-controlling interest.

The carrying amount of the identifiable assets and liabilities of CNL (Pinghu) acquired as at its date of acquisition is same as their fair values, except for the leasehold land and the intangible asset were revalued at the fair values of approximately HK$6,950,000 and HK$17,658,000 respectively at its date of acquisition, with the carrying amount of approximately HK$5,203,000 and HK$8,337,000 respectively.

Net assets acquired:

| | *HK$'000* |
|---|---|
| Intangible asset | 17,658 |
| Property, plant and equipment | 7,226 |
| Inventories | 57 |
| Trade receivables | 2,033 |
| Prepayments, deposits and other receivables | 16 |
| Bank and cash balances | 769 |
| Accruals and other payables | (793) |
| Current tax liabilities | (823) |
| Deferred tax liabilities | (2,750) |
| | 23,393 |
| Non-controlling interest in CNL (Pinghu) | (7,018) |
| | 16,375 |
| Foreign currency translation reserve | 30 |
| Goodwill | 1,954 |
| | 18,359 |
| Satisfied by: | |
| Cash | 18,359 |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid | (18,359) |
| Cash and cash equivalents acquired | 769 |
| Foreign currency translation reserve | 30 |
| | (17,560) |

The fair value of the trade receivables acquired is approximately HK$2,033,000.

The fair value of the acquired identifiable intangible assets and leasehold land of approximately HK$17,658,000 and approximately HK$6,880,000 respectively was based on valuation reports of the professional surveyor as at the date of acquisition.

The goodwill arising on the acquisition of CNL (Pinghu) is attributable to the anticipated profitability of the wholesales of its products in the new markets and the anticipated future operating synergies from the business combination.

CNL (Pinghu) contributed approximately HK$18,951,000 and approximately HK$1,244,000 to the Group's turnover and profit for the Financial Year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 July 2010, total Group's turnover for the Financial Year would remain unchanged at approximately HK$90,193,000, and profit for the Financial Year would have been approximately HK$5,550,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2010, nor is intended to be a projection of future results.

## 33. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group and the Company as at 30 June 2011 (2010: nil).

## 34. COMMITMENTS

### (a) Lease commitments

**The Group**

As at 30 June 2011, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

| | **2011** | **2010** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Future aggregate minimum lease payments under operating leases in respect of land and buildings | | |
| — within one year | 13,134 | 2,128 |
| — in the second to fifth years inclusive | 47,123 | — |
| — over fifth years | 7,036 | — |
| | 67,293 | 2,128 |

Operating lease payments represent rentals payable by the Group for certain of its offices, health care centre, laboratory and staff quarter. Leases are negotiated for an average term of 6 years and rentals are fixed over the lease terms and do not include contingent rentals.

**The Company**

As at 30 June 2011, the total future minimum lease payments of the Company under non-cancellable operating leases are payable as follows:

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Future aggregate minimum lease payments under operating leases in respect of land and buildings | | |
| — within one year | 1,901 | 1,014 |
| — in the second to fifth years inclusive | 3,168 | — |
| | 5,069 | 1,014 |

Operating lease payments represent rentals payable by the Company for certain of its office. Leases are negotiated for an average term of 3 years and rentals are fixed over the lease terms and do not include contingent rentals.

**(b) Capital commitments**

**The Group**

The Group's capital commitments of the property, plant and equipment contracted but not provided for amounting of approximately HK$12,346,000 at 30 June 2011 (30 June 2010: HK$209,000).

**The Company**

The Company had no material capital commitments as at 30 June 2011.

## 35. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Management services income received from a holding company | 43 | 43 |
| Payment of gene testing services cost to the related parties | 3,582 | — |
| Receipt of gene testing services income from a related party | 56 | — |
| Payment of service fee to substantial shareholder | 375 | — |
| Sale of property, plant and equipment to a director | 294 | — |
| Sale of property, plant and equipment to a related company | — | 197 |

The related party/(ies) is/(are) ultimately beneficial owned by Dr. Mao, who is also the substantial shareholder of the Company.

## 36. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

| Name | Place of incorporation/ registration | Registered/issued/ paid-up capital | Percentage of ownership interest/ voting power/profit sharing | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Lucky Full Holdings Limited | British Virgin Islands | 1 ordinary share of US$1 | 100% | — | Investment holding |
| Clear Rich International Limited | British Virgin Islands | 1 ordinary share of US$1 | — | 100% | Investment holding |
| China United Gene Health Limited | Hong Kong | 1 ordinary share of HK$1 | — | 100% | Distribution of gene-testing services |
| CNL (Pinghu) Biotech Co. Limited *(note a)* | PRC | Registered capital of US$20 million | — | 70% | Distribution of bio-industrial products |
| Bestdone Limited | British Virgin Islands | 1 ordinary share of US$1 | — | 100% | Investment holding |
| Fudan Health (Guang Dong) Ltd. | British Virgin Islands | 1 ordinary share of US$1 | — | 100% | Distribution of gene-testing services |
| Fudan Health International (HK) Limited | Hong Kong | 10,000 ordinary share of HK$10,000 | — | 100% | Provision of gene-testing services |
| Perfect Allied Holdings Limited | British Virgin Islands | 1 ordinary share of US$1 | — | 100% | Investment holding |
| United Gene Health Care Investment Limited | Hong Kong | 1 ordinary share of HK$1 | — | 100% | Investment holding |
| 聯合基因(上海)健康管理服務有限公司 *(note b)* (United Gene HealthCare Limited, Shanghai) | PRC | Registered capital of HK$40 million | — | 100% | Distribution of gene-testing services |
| 龍脈(上海)健康管理服務有限公司 *(note c)* | PRC | Registered capital of RMB20 million | — | 100% | Provision of health care management services |

*Notes:*

(a) CNL (Pinghu) Biotech Co. Limited (中荷(平湖)生物技術有限公司) is a wholly foreign-owned enterprise established in the PRC on 2 April 2008 for a period of fifty years.

(b) 聯合基因(上海)健康管理服務有限公司 is a wholly foreign-owned enterprise established in the PRC on 23 June 2009 for a period of thirty years.

(c) 龍脈(上海)健康管理服務有限公司 is a wholly domestic limited company established in the PRC on 11 November 2010 for a period of thirty years.

## 37. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 September 2011.

## C. UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE GROUP

Set out below is the unaudited interim consolidated financial information of the Group for the six months ended 31 December 2011 as extracted from the interim report of the Company for the six months ended 31 December 2011:

**Condensed Consolidated Statement of Comprehensive Income**
*For the six months ended 31 December 2011*

| | | Six months ended 31 December | |
|---|---|---|---|
| | | **2011** | **2010** |
| | *Notes* | *HK$'000* | *HK$'000* |
| | | (Unaudited) | (Unaudited) |
| **Turnover** | *3 & 5* | 24,179 | 68,811 |
| Cost of sales | | (7,167) | (46,444) |
| Gross profit | | 17,012 | 22,367 |
| Other income | *4* | 4,067 | 2,731 |
| Impairment loss on an intangible asset | *11* | (16,636) | — |
| Impairment loss on goodwill | *12* | (1,954) | — |
| Selling expenses | | (1,715) | (2,055) |
| Administrative expenses | | (25,600) | (10,174) |
| **(Loss)/profit before tax** | | (24,826) | 12,869 |
| Income tax credit/(expense) | *6* | 2,144 | (2,782) |
| **(Loss)/profit for the period** | *7* | (22,682) | 10,087 |
| **Other comprehensive (loss)/income after tax:** | | | |
| Exchange differences on translating foreign operations | | 2,245 | 1,003 |
| Fair value changes of available-for-sale financial assets | | (2,294) | — |
| **Other comprehensive (loss)/income for the period, net of tax** | | (49) | 1,003 |
| **TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD** | | (22,731) | 11,090 |

| | | Six months ended 31 December | |
|---|---|---|---|
| | | **2011** | **2010** |
| | *Notes* | *HK$'000* | *HK$'000* |
| | | (Unaudited) | (Unaudited) |
| **(Loss)/profit for the period attributable to:** | | | |
| Owners of the Company | | (17,899) | 9,873 |
| Non-controlling interests | | (4,783) | 214 |
| | | (22,682) | 10,087 |
| **Total comprehensive (loss)/income for the period attributable to:** | | | |
| Owners of the Company | | (18,354) | 10,681 |
| Non-controlling interests | | (4,377) | 409 |
| | | (22,731) | 11,090 |
| **(Loss)/earnings per share** | *9* | | |
| Basic and diluted *(HK cents per share)* | | (0.15) | 0.08 |

**Condensed Consolidated Statement of Financial Position**
*At 31 December 2011*

| | Notes | 31 December 2011 HK$'000 (Unaudited) | 30 June 2011 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | 52,599 | 32,081 |
| Intangible assets | 11 | 86,540 | 100,270 |
| Goodwill | 12 | — | 1,954 |
| | | 139,139 | 134,305 |
| **Current assets** | | | |
| Inventories | 13 | 142 | 118 |
| Prepayments, deposits and other receivables | | 16,810 | 21,654 |
| Available-for-sale financial assets | 14 | 96,866 | 77,235 |
| Trade receivables | 15 | 4,649 | 11,672 |
| Bank and cash balances | | 187,440 | 222,267 |
| | | 305,907 | 332,946 |
| **Current liabilities** | | | |
| Trade payables | 16 | 796 | 1,301 |
| Accruals and other payables | | 12,346 | 7,251 |
| Current tax liabilities | | 111 | 1,890 |
| | | 13,253 | 10,442 |
| **Net current assets** | | 292,654 | 322,504 |
| **Total assets less current liabilities** | | 431,793 | 456,809 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | 687 | 2,972 |
| **NET ASSETS** | | 431,106 | 453,837 |
| **Capital and reserves** | | | |
| Share capital | 17 | 121,645 | 121,645 |
| Reserves | | 296,525 | 314,879 |
| Equity attributable to owners of the Company | | 418,170 | 436,524 |
| Non-controlling interests | | 12,936 | 17,313 |
| **TOTAL EQUITY** | | 431,106 | 453,837 |

## Condensed Consolidated Statement of Changes in Equity

*For the six months ended 31 December 2011*

| | (Unaudited) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | |
| | **Share capital** | **Share premium account** | **Investment revaluation reserve** | **Statutory reserve** | **Foreign currency translation reserve** | **Accumulated losses** | **Total** | **Non-controlling interests** | **Total equity** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 July 2010 | 121,645 | 726,123 | — | — | 208 | (418,834) | 429,142 | 465 | 429,607 |
| Acquisition of a subsidiary | — | — | — | — | — | — | — | 7,041 | 7,041 |
| Further capital injection by a non-controlling interest | — | — | — | — | — | — | — | 9,781 | 9,781 |
| Total comprehensive income for the period | — | — | — | — | 808 | 9,873 | 10,681 | 409 | 11,090 |
| At 31 December 2010 | 121,645 | 726,123 | — | — | 1,016 | (408,961) | 439,823 | 17,696 | 457,519 |
| At 1 July 2011 | 121,645 | 726,123 | 508 | 1,319 | 1,835 | (414,906) | 436,524 | 17,313 | 453,837 |
| Total comprehensive loss for the period | — | — | (2,294) | — | 1,839 | (17,899) | (18,354) | (4,377) | (22,731) |
| At 31 December 2011 | 121,645 | 726,123 | (1,786) | 1,319 | 3,674 | (432,805) | 418,170 | 12,936 | 431,106 |

**Condensed Consolidated Statement of Cash Flows**
*For the six months ended 31 December 2011*

| | Six months ended 31 December 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) |
| **Net cash generated from operating activities** | 9,355 | 58,988 |
| **Net cash used in investing activities** | (45,344) | (103,507) |
| **Net cash generated from financing activities** | — | 9,718 |
| **Net decrease in cash and cash equivalents** | (35,989) | (34,801) |
| Effect of foreign exchange rate changes | 1,162 | 406 |
| Cash and cash equivalents at beginning of period | 222,267 | 344,224 |
| **Cash and cash equivalents at end of period** | 187,440 | 309,829 |
| **Analysis of cash and cash equivalents** | | |
| Bank and cash balances | 187,440 | 309,829 |

## Notes to the Condensed Consolidated Interim Financial Statements

*For the six months ended 31 December 2011*

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA") and the applicable disclosure requirements of Appendix 16 to the Listing Rules.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2011 annual financial statements of the Company. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2011 except as stated below.

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 July 2011. HKFRSs comprise HKFRS, HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior periods except as stated below.

**Related Party Disclosures**

HKAS 24 (Revised) "Related Party Disclosures" revises the definition of a related party and provides a partial exemption of disclosing related party transactions for government-related entities.

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

HKAS 24 (Revised) exempts an entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

— a government that has control, joint control or significant influence over the entity; and

— another entity that is a related party because the same government has control, joint control or significant influence over both entities.

The entity that applies the exemption is required to disclose the followings:

— the name of the government and the nature of its relationship with the entity (i.e. control, joint control or significant influence); and

— the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:

i. the nature and amount of each individually significant transaction; and

ii. for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

HKAS 24 (Revised) has been applied retrospectively and did not result in any significant changes in the consolidated amounts disclosed in the unaudited condensed consolidated interim financial statements.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

## 3. TURNOVER

| | **Six months ended 31 December** | |
|---|---|---|
| | **2011** | **2010** |
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) |
| Distribution of: | | |
| Gene testing services | 22,692 | 58,493 |
| Bio-industrial products | 377 | 10,318 |
| Provision of health care management services | 1,110 | — |
| | 24,179 | 68,811 |

## 4. OTHER INCOME

| | Six months ended 31 December | |
|---|---|---|
| | 2011 | 2010 |
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) |
| Interest income | 1,217 | 972 |
| Net gain on available-for-sale financial assets | 1,917 | — |
| Government grant from the PRC for a health care management services project | 911 | 1,737 |
| Sundry income | 22 | 22 |
| | 4,067 | 2,731 |

## 5. SEGMENT INFORMATION

The Group has three reportable segments as follows:

(a) distribution of gene testing services

(b) distribution of bio-industrial products

(c) provision of health care management services

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

| | Distribution of gene testing services | | Distribution of bio-industrial products | | Provision of health care management services | | Total | |
|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Six months ended 31 December 2011 and 2010** | | | | | | | | |
| Revenue from external customers | 22,692 | 58,493 | 377 | 10,318 | 1,110 | — | 24,179 | 68,811 |
| Segment profit/(loss) after tax | 3,549 | 8,182 | (17,898) | 763 | (11,089) | — | (25,438) | 8,945 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| **At 31 December and 30 June 2011** | | | | | | | | |
| Segment assets | 114,917 | 140,778 | 43,645 | 63,315 | 43,001 | 20,942 | 201,563 | 225,035 |

| | Six months ended 31 December 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) |
| **Reconciliation of reportable segment (loss)/profit:** | | |
| Total (loss)/profit of reportable segments | (25,438) | 8,945 |
| Loss on the segment of distribution of pharmaceutical products | — | (92) |
| Corporate and other expenses | (4,127) | (3,715) |
| Elimination of inter-companies expenses | 5,698 | 3,987 |
| Unallocated income: | | |
| Other income | 1,185 | 962 |
| Consolidated (loss)/profit | (22,682) | 10,087 |

## 6. INCOME TAX CREDIT/(EXPENSE)

| | Six months ended 31 December 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) |
| Current tax provision for the period | | |
| Hong Kong Profits Tax | (111) | — |
| Overseas | (88) | (2,782) |
| Deferred tax *(note)* | 2,343 | — |
| | 2,144 | (2,782) |

Hong Kong Profits Tax has been provided at a rate of 16.5% based on estimated assessable profit arising in Hong Kong for the six months ended 31 December 2011. No provision for Hong Kong Profits Tax has been made for the six months ended 31 December 2010 as the Group does not generate any assessable profit arising in Hong Kong during the period.

Tax charge 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, interpretation and practices in respect thereof.

*Note:* The deferred tax for the six months ended 31 December 2011 included a credit amount of approximately HK$2,250,000 arising from the reversal of a deferred tax liability, which was previously recognised by the Group due to revaluation gain of the exclusive rights for the distribution of bio-industrial products during the year ended 30 June 2011. Since the Group assessed the fair value of such rights and made an impairment loss, the corresponding deferred tax liability was reversed accordingly in the Interim Period.

**7. (LOSS)/PROFIT FOR THE PERIOD**

The Group's (loss)/profit for the period is stated after charging the following:

| | Six months ended 31 December 2011 HK$'000 (Unaudited) | 2010 HK$'000 (Unaudited) |
|---|---|---|
| Amortisation of intangible assets | 990 | 584 |
| Depreciation | 1,997 | 324 |
| Loss on disposals of property, plant and equipment | 1,542 | — |
| Impairment loss on an intangible asset | 16,636 | — |
| Impairment loss on goodwill | 1,954 | — |
| Directors' emoluments | 550 | 660 |
| Operating lease charges of land and buildings | 5,615 | 1,605 |
| Cost of inventories sold | 1,712 | 8,240 |
| Staff costs including Directors' emoluments | 8,983 | 3,748 |

**8. DIVIDENDS**

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2011 (2010: Nil).

**9. (LOSS)/EARNINGS PER SHARE**

**Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the unaudited (loss)/profit for the period attributable to owners of the Company of approximately HK$(17,899,000) (2010: approximately HK$9,873,000) and the weighted average number of ordinary shares of 12,164,508,062 in issue during the Interim Period.

**Diluted (loss)/earnings per share**

No diluted (loss)/earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the six months period ended 31 December 2011 and 31 December 2010.

**10. PROPERTY, PLANT AND EQUIPMENT**

During the Interim Period, the Group acquired approximately HK$27,116,000 (2010: approximately HK$6,832,000) for the additions to property, plant and equipment, of which, approximately HK$19,596,000 and approximately HK$5,173,000 were incurred for the provision of health care management services and construction in progress for the production plant of bio-industrial products business respectively.

## 11. INTANGIBLE ASSETS

| | Permanent exclusive and non-exclusive rights — distribution of gene testing services *(note a)* *HK$'000* | Exclusive rights — distribution of bio-industrial products *(note b)* *HK$'000* | Research and development — provision of health care management services *(note c)* *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 July 2011 (audited) | 79,718 | 18,519 | 3,269 | 101,506 |
| Additions during the period | — | — | 3,496 | 3,496 |
| Exchange difference | — | 477 | 90 | 567 |
| At 31 December 2011 (unaudited) | 79,718 | 18,996 | 6,855 | 105,569 |
| **Accumulated amortisation and impairment** | | | | |
| At 1 July 2011 (audited) | — | 1,236 | — | 1,236 |
| Amortisation for the period | — | 650 | 340 | 990 |
| Impairment for the period | — | 16,636 | — | 16,636 |
| Exchange difference | — | 164 | 3 | 167 |
| At 31 December 2011 (unaudited) | — | 18,686 | 343 | 19,029 |
| **Carrying amounts** | | | | |
| At 31 December 2011 (unaudited) | 79,718 | 310 | 6,512 | 86,540 |
| At 30 June 2011 (audited) | 79,718 | 17,283 | 3,269 | 100,270 |

*Notes:*

(a) On 13 December 2010, the Group obtained the permanent exclusive rights for the distribution of gene testing services in the regions of the PRC, Hong Kong and Macau, and the permanent non-exclusive rights for the distribution of gene testing services in the other regions, as well as the right of use of certain logos on the gene testing services distributed by the Group.

The recoverable amount of these permanent exclusive and non-exclusive rights is determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to these permanent exclusive and non-exclusive rights. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of these permanent exclusive and non-exclusive rights operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the cash flow forecasts from these permanent exclusive and non-exclusive rights is 18.68%.

(b) On 1 January 2010, CNL (Pinghu) Biotech Co. Ltd. ("CNL (Pinghu)") entered into the exclusive agency agreement with its supplier, Sonac Vuren BV ("Sonac"). Sonac granted the exclusive distribution rights to CNL (Pinghu) for the distribution of its bone chips and bone fat in the PRC for a term of five years and which would be automatically renewed for another ten years subject to no objection to be raised by either party before 31 December 2014. The Group acquired CNL (Pinghu) on 13 July 2010, and made the valuation of intangible assets for its exclusive distribution rights for the term of 14.5 years by the professional surveyor at the amount of approximately RMB15.40 million, which were amortised under the term of 14.5 years. As at 31 December 2011, the Group reviewed the fair value of the exclusive distribution rights for the bio-industrial products. The fair value was assessed to be approximately HK$310,000 according to the valuation report of LCH (Asia-Pacific) Surveyors Limited, an independent valuer to the Group. Accordingly, the Group made an impairment loss on an intangible asset of approximately HK$16,636,000 for the six months ended 31 December 2011.

(c) Research and development refers to the costs of staff, rental and management expenses and testing materials specifically attributable to a health care management services project which would generate probable future economic benefits for a term of five years. The research and development cost was amortised from October 2011 on a straight-line basis accordingly.

## 12. GOODWILL

| | 31 December 2011 | 30 June 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| Arising from the acquisition of CNL (Pinghu) | — | 1,954 |

The Group acquired 70% equity interest of CNL (Pinghu) on 13 July 2010. This transaction has been accounted for by the acquisition method of accounting.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to the exclusive distribution rights for the bio-industrial products.

As mentioned in note 11(b) to these unaudited condensed consolidated interim financial statements, the Group assessed the fair value of the exclusive distribution rights for the bio-industrial products to be approximately HK$310,000 as at 31 December 2011. The goodwill allocated to such exclusive distribution rights was therefore impaired in full for the six months ended 31 December 2011.

## 13. INVENTORIES

| | 31 December 2011 | 30 June 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| Merchandises | 142 | 118 |

### 14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 31 December 2011 *HK$'000* (Unaudited) | 30 June 2011 *HK$'000* (Audited) |
|---|---|---|
| Bonds at fair value | | |
| Listed in Hong Kong | 8,100 | 5,071 |
| Listed outside Hong Kong | 88,766 | 72,164 |
| | 96,866 | 77,235 |

All the above bonds are classified as current assets.

The investments in bonds listed in and outside Hong Kong offer the Group the opportunity for return through the coupon interest income and the capital appreciation. None of these available-for-sale financial assets is either past due or impaired.

The fair values of these listed bonds are based on current bid prices.

### 15. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 180 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of trade receivables, based on the invoice date, is as follows:

| | 31 December 2011 *HK$'000* (Unaudited) | 30 June 2011 *HK$'000* (Audited) |
|---|---|---|
| 30 days or less | 147 | 10,470 |
| 31 to 60 days | 1,295 | 1,202 |
| 61 to 180 days | 493 | — |
| Over 180 days | 2,714 | — |
| | 4,649 | 11,672 |

Trade receivables that were past due over 180 days are not impaired as the Group has received bills honoured by the bank. Accordingly, no allowance was made for the trade receivables at 31 December and 30 June 2011.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

| | | |
|---|---|---|
| Renminbi ("RMB") | 4,649 | 11,616 |
| Hong Kong Dollars | — | 56 |
| | 4,649 | 11,672 |

## 16. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods/the date of receipt of services, is as follows:

| | **31 December 2011** | **30 June 2011** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| 30 days or less | 492 | 1,301 |
| 31 to 60 days | 301 | — |
| 61 to 180 days | 3 | — |
| | 796 | 1,301 |

The carrying amounts of the Group's trade payables are denominated in the following currencies:

| | | |
|---|---|---|
| RMB | 495 | 442 |
| Hong Kong dollars | 301 | 859 |
| | 796 | 1,301 |

## 17. SHARE CAPITAL

| | **31 December 2011** | **30 June 2011** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| Authorised: | | |
| 50,000,000,000 ordinary shares of HK$0.01 each | 500,000 | 500,000 |
| Issued and fully paid: | | |
| 12,164,508,062 ordinary shares of HK$0.01 each | 121,645 | 121,645 |

## 18. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 31 December 2011 (30 June 2011: Nil).

## 19. COMMITMENTS

### (a) Lease commitments

At 31 December 2011, the total future minimum lease payments of the Group under non-cancellable operating leases were payable as follows:

| | 31 December 2011 | 30 June 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| Future aggregate minimum lease payments under operating leases in respect of land and buildings | | |
| — within one year | 12,528 | 13,134 |
| — in the second to fifth years inclusive | 44,768 | 47,123 |
| — over fifth years | 1,866 | 7,036 |
| | 59,162 | 67,293 |

Operating lease payments represent rentals payable by the Group for certain of its offices, health care centre, laboratory and staff quarters. Leases are negotiated for an average term of 6 years and rentals are fixed over the lease terms and do not include contingent rentals.

### (b) Capital commitments

The Group's capital commitments for property, plant and equipment contracted but not provided for amounted to approximately HK$11,441,000 at 31 December 2011 (30 June 2011: approximately HK$12,346,000).

## 20. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following transactions with its related parties during the period:

| | Six months ended 31 December | |
|---|---|---|
| | 2011 | 2010 |
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) |
| Management service income received from a holding company | 22 | 22 |
| Payment of gene testing services cost to the related parties | 2,689 | 1,062 |
| Receipt of gene testing services income from the related parties | 345 | — |
| Payment of service fee to the substantial shareholder | 225 | 150 |

The Group had the following balances with related parties:

| | **31 December 2011** | **30 June 2011** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| Trade payable for gene testing services cost to the related parties | 301 | 1,301 |
| Trade receivable for gene testing services income from a related party | 123 | 56 |

The related party/(ies) is/(are) ultimately beneficial owned by the Dr. Mao, who is also the substantial shareholder of the Company.

## 21. EVENTS AFTER THE REPORTING PERIOD

**Deemed disposal of 20% equity interest of a subsidiary**

On 13 January 2012, the Group entered into the Injection Agreement with Jilin Extrawell. Pursuant to the Injection Agreement, Jilin Extrawell agreed to inject RMB2.5 million by cash for 20% of the registered capital of a subsidiary of the Group, Longmark (Shanghai) as enlarged after the Injection of Capital within three months after signing of the Injection Agreement. Longmark (Shanghai) is engaged in the provision of health care management services. The Injection of Capital constitutes a deemed disposal by the Group of 20% equity interest of Longmark (Shanghai) within the meaning of Rule 14.29 of the Listing Rules. The completion of the Injection Agreement shall take place after all registrations with the relevant government bodies be completed.

## 22. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of Directors on 29 February 2012.

## D. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2012, being the Latest Practicable Date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Prospectus, the Group had total outstanding borrowings of approximately HK$11.00 million, comprising a borrowing of approximately HK$4.89 million due to an independent third party and a loan due to a minority shareholder of a subsidiary of approximately HK$6.11 million, both of which are unsecured.

As at the close of business on 31 May 2012, the Group had received a writ of summons issued by Pinghu District Court and Changning District Court in the PRC respectively, in which the Group was sought to pay a total sum of approximately HK$20.03 million including the outstanding payment in concern and the relevant interests but excluding the relevant legal costs. In the Pinghu District Court case, a Company's subsidiary was sought to pay (i) the outstanding payment of RMB13,149,879; (ii) interests in respect of the outstanding payment in the sum of RMB248,532 incurred from 19 January 2012 to the judgment date at an interest rate of 0.021% per day; and (iii) the litigation cost in relation to the present proceedings. In the Changning District Court case, another subsidiary was sought to pay (i) the outstanding payment of RMB2,977,586; (ii) interests in respect of the outstanding payment incurred from 11 October 2011 to the judgment date at the bank lending rate for the relevant period; and (iii) the litigation costs in relation to the present proceedings. On 27 May 2012, Longmark (Shanghai) reached an out of court settlement with Jiangsu Tianteng. Longmark (Shanghai) agreed to pay the remaining balance of the construction fee of RMB2,977,586 to Jiangsu Tianteng in accordance with the terms of the Longmark Construction Agreement, and Jiangsu Tianteng agreed to (i) file an application to withdraw the litigation against Longmark (Shanghai) to the Changning District Court of the PRC; and (ii) repair the installed but defective aeration facilities for satisfying relevant fire safety requirements. A notice of withdrawal dated 4 June 2012 for the litigation was issued by the Changning District Court of the PRC after Longmark (Shanghai) had paid RMB2,000,000 to Jiangsu Tianteng. The aeration facilities of Longmark (Shanghai) was unable to satisfy the relevant fire safety requirements before 25 June 2012, therefore, Longmark (Shanghai) is under no obligation to pay the remaining balance of RMB977,586 to Jiangsu Tianteng.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 May 2012, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

Save as disclosed in this Prospectus, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 May 2012.

## E. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful consideration, are of the opinion that, taking into account the financial resources available to the Group (including internally generated funds and available lending facilities) and the estimated net proceeds from the Rights Issue (if the Rights

Issue becomes unconditional), the Group will have sufficient working capital for its business requirements (that is, for at least the next twelve months from the date of this Prospectus) in the absence of unforeseen circumstances.

## F. NO MATERIAL ADVERSE CHANGE

The Board has discussed with the auditor and the financial adviser and reviewed, among other things, the financial position of the Group (including the latest consolidated management accounts, financial condition, capital and other commitments, contingent liabilities and future cash flow and financing requirements) and the trading position with respect to the Group's suppliers and customers.

As at the Latest Practicable Date, save and except for, the information contained in the profit warning announcement dated 14 February 2012 and based on the unaudited management accounts dated 31 May 2012, a significant reduction in turnover for the second half of the financial year and the loss position will continue to increase, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2011, the date to which the latest published audited financial statements of the Group were made up.

## G. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

### Distribution of gene testing services

As the Group has the permanent exclusive distribution rights for gene testing services in the regions of the PRC, Hong Kong and Macau, and the permanent non-exclusive distribution rights in other regions, the Group would continue to diversify its business through the distribution channels within the PRC and other regions and to expand its market share in the distribution of gene testing services. The Group has different marketing policies and measures to monitor its different geographical distribution channels in response to their varying market factors and for their further development. The Directors are confident that the Group would be able to achieve more sustainable and stable growth in this business sector.

The Group has the laboratories for the manufacture, research and development of gene testing products in Hong Kong and the United Gene (Shanghai) Health Care Centre. The Group will continue to strengthen its ongoing research and development capacity in respect of gene testing products.

### Distribution of bio-industrial products

With a team of experts including Mr. A. H. Grobben, who is a Dutch with expertise in hydrolyzed gelatin and bone fat refining technology, CNL (Pinghu) started production of hydrolyzed gelatin in the first-half of 2012.

Looking ahead, the Group will continue to explore other opportunities for further growth in the bio-industrial products business through strategic cooperation with the world's leading biotechnology enterprises, whether in the aspects of business, product or technology. In particular, the Group strives to build a sound product portfolio which offers high profitability potential.

**Provision of health care management services**

After the Group established the United Gene (Shanghai) Health Care Centre, the Group has strengthened the marketing and promotion plan for the membership services and benefits in its health care centre.

After the injection of capital in the first quarter of 2012, the synergies of the Group will enhance the development of provision of health care management services. The cooperation between Jilin Extrawell and the Group will not only strengthen the business of provision of health care management services but also establish a diversified platform for further development. This platform will provide a foundation for the sustainable development of this business, which will enable it to seize opportunities for further development.

The Group's management will continue to optimise the Group's resource advantages, speed up the construction of new production plants, enhance product lines, establish a base for research and development and expand the sales network in order to seize more opportunities, create considerable economic benefits and thus maximise shareholders' returns.

On top of developing the aforesaid businesses, the Group will continue to search actively for attractive investments in the PRC and globally with a view of (i) developing the businesses of the Group and other new businesses; and (ii) generating positive cash flow and earnings for the Group in long-term. In the meantime, the Group may, if necessary, conduct various fund raising activities to strengthen the capital base of the Company.

## H. INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the distribution of gene testing services and bio-industrial products and the provision of health care management services.

## A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix 1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the rights issue of the Company (the "Rights Issue") on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had taken place on 31 December 2011.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Rights Issue.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 31 December 2011, adjusted as described below:

| | **Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2011** | **Estimated net proceeds from the Rights Issue** | **Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2011** |
|---|---|---|---|
| | *(Note 1)* | *(Note 2)* | |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | 331,630 | 76,780 | 408,410 |
| Unaudited consolidated net tangible assets per existing Share before completion of the Rights Issue *(Note 3)* | | | HK$0.0273 |
| Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights Issue *(Note 4)* | | | HK$0.0258 |

*Notes:*

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2011 are based on the unaudited consolidated net tangible assets in the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2011.

2. The estimated net proceeds from the Rights Issue are based on 3,649,352,418 Rights Shares at the Subscription Price of HK$0.022 per Rights Share, after deduction of the underwriting fees and other share issue related expenses payable by the Company of approximately HK$3,506,000.

3. It is based on 12,164,508,062 existing Shares in issue as at 31 December 2011 before completion of the Rights Issue.

4. It is based on 15,813,860,480 Shares, on which 12,164,508,062 existing Shares and 3,649,352,418 Rights Shares were in issue as at 31 December 2011, assuming that the Rights Issue had been completed on 31 December 2011.

## B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, ANDA CPA Limited, Certified Public Accountants, Hong Kong.*

ANDA
CPA Limited
安達會計師事務所有限公司

18 July 2012

The Board of Directors
United Gene High-Tech Group Limited

Dear Sirs,

We report on the statement of unaudited pro forma adjusted consolidated net tangible assets (the''Unaudited Pro Forma Financial Information'') of United Gene High-Tech Group Limited (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group''), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue (as defined in the prospectus of the Company dated 18 July 2012 (the ''Prospectus'')) might have affected the consolidated net tangible assets of the Group as if the Rights Issue had taken place at 31 December 2011, for inclusion in Appendix II to the Prospectus. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section A of Appendix II to the Prospectus.

**Respective Responsibilities of Directors of the Company and Reporting Accountants**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and with reference to Accounting Guideline 7 ''Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'').

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2011 or any future date.

**Opinion**

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

**ANDA CPA Limited**
*Certified Public Accountants*
**Sze Lin Tang**
Practising Certificate Number P03614
Hong Kong

## 1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date, the Record Date and immediately following the completion of the Rights Issue (assuming no further issue of Shares from the Latest Practicable Date to the completion of the Rights Issue) was and are expected to be as follows:

| | | |
|---|---|---|
| *Authorised:* | | *HK$* |
| 50,000,000,000 | Shares of HK$0.01 each | 500,000,000.00 |
| *Issued and fully paid or credited as fully paid:* | | |
| 12,164,508,062 | Shares in issue as at the Latest Practicable Date and the Record Date | 121,645,080.62 |
| 3,649,352,418 | Rights Shares to be allotted and issued under the Rights Issue | 36,493,524.18 |
| 15,813,860,480 | Shares in issue immediately following the completion of the Rights Issue | 158,138,604.80 |

All of the Shares and the Rights Shares in issue and to be allotted, issued and fully paid will rank *pari passu* with each other in all respects, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Rights Shares in issue and to be issued are or will be listed on the main board of the Stock Exchange.

As at the Latest Practicable Date, the Company had no outstanding convertible securities or options in issue or other similar rights which may confer any right to the holder thereof to subscribe for, convert or exchange into shares of the Company.

## 3. INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

### (a) Disclosure of Directors' interests

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

| Name of Shareholders | Capacity | Number of Shares/ underlying Shares held | Percentage of the issued Share capital of the Company |
|---|---|---|---|
| Ms. Wu Yanmin | Beneficial owner | 270,000 | 0.002% |
| Ms. Xiao Yan | Beneficial owner | 1,440,000 | 0.012% |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

### (b) Disclosure of substantial shareholders' interests

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

| Name of Shareholders | Capacity | Number of Shares/ underlying Shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Dr. Mao Yumin ("**Dr. Mao**") *(Note 1)* | Interest of a controlled corporation | 4,700,550,000 | 38.64% |
| United Gene Holdings Limited *(Note 1)* | Interest of a controlled corporation | 4,700,550,000 | 38.64% |
| Dr. Xie Yi ("**Dr. Xie**") *(Note 2)* | Interest of a controlled corporation | 4,700,550,000 | 38.64% |
| Ease Gold Investment Limited *(Note 2)* | Interest of a controlled corporation | 4,700,550,000 | 38.64% |
| Best Champion Holdings Limited *(Note 3)* | Beneficial owner | 4,700,550,000 | 38.64% |

*Notes:*

1. United Gene Holdings Limited, wholly-owned by Dr. Mao, which owns 66.67% equity interests of Best Champion Holdings Limited.

2. Ease Gold Investment Limited, wholly-owned by Dr. Xie, which owns 33.33% equity interests of Best Champion Holdings Limited.

3. The equity interest of Best Champion Holdings Limited is owned as to 66.67% and 33.33% by United Gene Holdings Limited and Ease Gold Investment Limited respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

## 4. DIRECTORS' SERVICE CONTRACTS

The executive Director, Ms. Lee Nga Yan, entered into a service agreement with the Company, which will continue until being terminated by either party by giving not less than two months' prior notice in writing to the other party. Subject to the review by the Remuneration Committee from time to time, Ms. Lee will be entitled to a director's remuneration (including a director's fee) of HK$40,000 per month and a discretionary year end payment, which is to be determined by the Board with reference to her duties and responsibilities in the Group and market benchmarks.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation).

## 5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules if the Directors were controlling Shareholders.

## 6. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, the Directors confirm that there was no contract or arrangement subsisting in which a Director was materially interested which was significant in relation to the business of the Group.

## 7. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 30 June 2011, being the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group after the date falling two years prior to the Latest Practicable Date and are or may be material:

i. the Underwriting Agreement;

ii. the Tan Jia Zhen Life Sciences Prize Sponsorship agreement dated 22 May 2012 entered into between (i) the Company as the assignee; (ii) 聯合基因科技有限公司 (United Gene Holdings Limited*), a connected person of the Company, as the assignor; and (iii) 上海市生物醫葯行業協會 (Shanghai Biopharmaceutical Industry Association*) (the "**SBIA**") as the administrator of the 談家楨生命科學獎 (Tan Jia Zhen Life Sciences Prize*) (the "**Prize**"), in relation to (i) the assignation of the Prize by the Company; (ii) the obligations to provide an aggregate of RMB9 million (approximately HK$10.89 million) for the grant of the Prize together with the administrative cost by United Gene Holdings Limited; and (iii) the continuous responsibility for the administration of the Prize undertaking by SBIA;

iii. the conditional injection of capital agreement dated 13 January 2012 entered into between (i) United Gene HealthCare Limited, Shanghai ("**United Gene (Shanghai)**"), an indirect wholly-owned subsidiary of the Company; (ii) Longmark (Shanghai), wholly-owned subsidiary of United Gene (Shanghai); and (iii) Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd ("**Jilin Extrawell**"), in relation to injection of capital of RMB2.5 million (approximately HK$3.08 million) by Jilin Extrawell as consideration to acquire 20% of the registered capital of Longmark (Shanghai) as enlarged by the injection of capital;

iv. the termination agreement dated 3 May 2011 entered into between China United Gene, an indirect wholly-owned subsidiary of the Company, and each of Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited, Sky Cultures Limited and Fashion Fame Limited (the "**Distributor(s)**") in relation to termination of the franchise agreements dated 14 July 2009. Pursuant to the Termination Agreement, among others, China United Gene agreed to waive the respective annual repayments for the contract year of July 2010 to June 2011 proportionately, based on the percentage of sales generated by each of the Distributors for the period of July 2010 to March 2011 to its relevant specified amount. An aggregated amount of the loan of HK$1,762,283 has been waived accordingly. The remaining balance of the loans in the sum of HK$33,437,717 shall be repayable by the Distributors to China United Gene within 30 days after the date of the Termination Agreement;

v. the exclusive agreements dated 8 November 2010 entered into between Fudan Health (Guang Dong) Limited and each of Shanghai Bozhong Biotechnology Co. Ltd (上海博仲生物技術有限公司) ("**Bozhong**") and Fudan Health International (MCO) Limited ("**Fudan MCO**") in relation to (i) the exclusive rights of distributing the diseases susceptibility gene testing services, and the gene consultancy services products ("**Gene Testing**") provided by Bozhong and Fudan MCO in the PRC, Hong Kong and Macau; (ii) the ongoing supplies of Gene Testing by Bozhong and Fudan MCO; and (iii) the sub-distribution services performed by Bozhong for the Gene Testing in the PRC, Hong Kong and Macau;

vi. the acquisition agreement dated 8 November 2010 entered into between (i) Bestdone Limited, an indirect wholly owned subsidiary of the Company, as the purchaser; and (ii) United Gene Health Group Limited and Fudan Health International Limited, both being indirectly wholly owned by Dr. Mao, as the vendors, in relation to the acquisition of 100% equity interest of Fudan Health (Guangdong) Limited and Fudan Health International (HK) Limited by Bestdone Limited for (i) a total consideration of HK$78,000,000; and (ii) set-off of net liabilities of Fudan Health International (HK) Limited and the outstanding loan due from Fudan Health International (HK) Limited to Fudan Health International Limited; and

vii. the share transfer agreement and a supplemental agreement both dated 9 July 2010 entered into between (i) China United Gene Health Limited ("**China United Gene**"), an indirect wholly-owned subsidiary of the Company, as the purchaser; and (ii) Sonac Holdings Limited and CNL Partners Holding BV, as vendors, in relation to the acquisition of 70% equity interest in CNL (Pinghu) by the purchaser for a consideration of RMB15.12 million and injection of capital of RMB19.88 million.

## 9. FOREIGN EXCHANGE RESTRICTIONS

Set out below are restrictions affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong:

(i) PRC enterprises (including foreign-invested enterprises) which require foreign exchange for current account transactions may, upon presentation of valid vouchers meeting the relevant requirements, without the approval of State Administration of Foreign Exchange ("SAFE"), effect payment via foreign exchange accounts at the designated foreign exchange banks. Foreign-invested enterprises which require foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which in accordance with certain regulations are required to pay dividends to shareholders in foreign exchange (such as the Company), may, on the strength of shareholders' general meeting resolutions on the distribution of profits, effect payment from their foreign exchange accounts at the designated foreign exchange banks or convert and pay at the designated foreign exchange banks; and

(ii) The convertibility of foreign exchange under capital accounts, including direct investments and capital contributions, is still subject to restrictions, and prior approval from SAFE must be obtained.

## 10. LITIGATION

(i) Litigation concerning Longmark (Shanghai) in PRC

On 17 April 2012, a writ of summons was issued by 江蘇天騰建設集團有限公司 (Jiangsu Tianteng Construction Group Co., Limited*) ("**Jiangsu Tianteng**") in the PRC as the plaintiff against Longmark (Shanghai) HealthCare Limited ("**Longmark (Shanghai)**"), an indirect non-wholly owned subsidiary of the Company, as the defendant in relation to the disputes arising from the consideration and completion of construction services under the construction agreement entered into between Longmark (Shanghai) and Jiangsu Tianteng dated 23 May 2011 (the "**Longmark Construction Agreement**"). Pursuant to the civil ruling in relation to the present proceedings, assets of Longmark (Shanghai) in the sum of RMB2,977,586 were frozen.

On 27 May 2012, Longmark (Shanghai) reached an out of court settlement with Jiangsu Tianteng. Longmark (Shanghai) agreed to pay the remaining balance of the construction fee of RMB2,977,586 to Jiangsu Tianteng in accordance with the terms of the Longmark Construction Agreement, and Jiangsu Tianteng agreed to (i) file an application to withdraw the litigation against Longmark (Shanghai) to the Changning District Court of the PRC; and (ii) repair the installed but defective aeration facilities for satisfying relevant fire safety requirements. A notice of withdrawal dated 4 June 2012 for the litigation was issued by the Changning District Court of the PRC after Longmark (Shanghai) had paid RMB2,000,000 to Jiangsu Tianteng. The aeration facilities of Longmark (Shanghai) was unable to satisfy the relevant fire safety requirements before 25 June 2012, therefore, Longmark (Shanghai) is under no obligation to pay the remaining balance of RMB977,586 to Jiangsu Tianteng.

(ii) Litigation concerning CNL (Pinghu) in the PRC

On 17 April 2012, a writ of summons was issued by 江蘇瑞峰建設集團有限公司 (Jiangsu Ruifeng Construction Group Co., Limited*) ("**Jiangsu Ruifeng**") in the PRC as the plaintiff against 中荷(平湖)生物技術有限公司 (CNL (Pinghu) Biotech Co. Ltd.*) ("**CNL (Pinghu)**"), an indirect non-wholly owned subsidiary of the Company, as the defendant in relation to the disputes arising from the consideration and completion of construction services under the construction contracting services agreement dated 8 October 2010, the construction agreement dated 17 December 2010 and the supplemental agreement dated 8 March 2011 entered into between CNL (Pinghu) and Jiangsu Ruifeng, to claim the amount of RMB13,149,879, interests and litigation costs of the case. On 24 April 2012, Jiangsu Ruifeng obtained a civil ruling against CNL (Pinghu), pursuant to which a bank deposit of RMB15,000,000 or equivalent amount of assets of CNL (Pinghu) were to be frozen, but the actual amount frozen was below RMB 500,000, which is significantly lower than the amount stated in the civil ruling. At this stage, based on facts and circumstances known to the Board and subject to further legal advice and a detailed assessment of business and financial implications, the Board is of the opinion that, in such circumstances, the writ against CNL (Pinghu), on balance and in general terms, shall not have a substantial impact on the current business operation and financial position of the Company as a whole.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation or arbitration or claim which is in the opinion of the Directors of material importance and no litigation or claim which is in the opinion of the Directors of material importance to be pending or threatened by or against any member of the Group.

## 11. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has provided its opinion or advice for inclusion in this Prospectus:

| Name | Qualification |
|---|---|
| ANDA CPA Limited ("**ANDA**") | Certified Public Accountants |

ANDA has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion therein of its reports and/or references to its name or opinion in the form and context in which it is included.

As at the Latest Practicable Date, ANDA was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, ANDA did not have any direct or indirect interest in any assets which had since 30 June 2011 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 12. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

| | |
|---|---|
| **Registered Office** | Cricket Square, Hutchins Drive<br>P.O. Box 2681, Grand Cayman<br>KY1-1111<br>Cayman Islands |
| **Principal Place of Business in Hong Kong** | Rooms No. 1405–1406<br>Harbour Centre<br>No. 25 Harbour Road<br>Wanchai, Hong Kong |
| **Principal Share Registrar and Transfer Agent in Hong Kong** | Tricor Tengis Limited<br>26/F, Tesbury Centre<br>28 Queen's Road East<br>Wanchai, Hong Kong |
| **Principal Banker** | The Hongkong and Shanghai Banking Corporation Limited<br>1 Queen's Road Central<br>Hong Kong |

| | |
|---|---|
| **Auditor & Reporting Accountant** | ANDA CPA Limited<br>Unit D, 21/F., Max Share Centre<br>373 King's Road<br>North Point, Hong Kong |
| **Authorised Representatives** | Ms. LEE Nga Yan<br>Rooms No. 1405–1406<br>Harbour Centre<br>No. 25 Harbour Road<br>Wanchai, Hong Kong<br><br>Mr. LAI Sai Wo, Ricky<br>Rooms No. 1405–1406<br>Harbour Centre<br>No. 25 Harbour Road<br>Wanchai, Hong Kong |
| **Company Secretary** | Mr. LAI Sai Wo, Ricky |
| **Company Website** | http://www.unitedgenegroup.com<br><br>http://www.irasia.com/listco/hk/unitedgene |
| **Underwriter** | Grand Investment (Securities) Limited<br>1/F–3/F<br>No. 269–277 Queen's Road Central<br>Hong Kong |
| **Legal adviser to the Company** | *As to Hong Kong Law:*<br>Phillips<br>3506, Tower 1, Lippo Centre<br>89 Queensway<br>Central, Hong Kong<br><br>*As to Cayman Law:*<br>Conyers Dill & Pearman<br>Cricket Square, Hutchins Drive<br>P.O. Box 2681, Grand Cayman<br>KY1-1111<br>Cayman Islands |
| **Financial adviser to the Company** | Wallbanck Brothers Securities (Hong Kong) Limited<br>1312, Tower 1, Lippo Centre<br>89 Queensway<br>Central, Hong Kong |

## 13. PARTICULARS OF THE DIRECTORS AND COMPANY SECRETARY

### (a) Qualification of the Directors of the Company

*Executive Directors*

**Ms. Lee Nga Yan**, aged 32, has been appointed as an executive Director with effect from 8 June 2011. Ms. Lee graduated from The Chinese University of Hong Kong in 2009 with a master's degree in business administration, majoring in finance. Ms. Lee joined the Company as an investment officer in October 2009. She also serves as a director of United Win Private Equity Management Limited, a healthcare and pharmaceutical investment management company which is substantially owned by Dr. Mao indirectly. Prior to joining the Company, Ms. Lee worked in the healthcare sector for the years from 2004 to 2007. Ms. Lee has extensive experience in the healthcare sector, particularly with respect to clinical consultancy, client management, operation and strategy execution.

**Dr. Guo Yi**, aged 31, was appointed as a non-executive Director of the Company in 8 June 2011 and has been re-designated as an executive Director with effect from 27 April 2012. He obtained a bachelor's degree in science, majoring in biology and a doctorate degree in science, majoring in genetics from the School of Life Sciences of Fudan University in 2003 and 2011 respectively. Since 2009, he has served as an assistant to the president of the group companies of United Gene Holdings Limited. Dr. Guo acted as the Communist Youth League secretary of the School of Life Sciences of Fudan University from 2003 to 2007. Dr. Guo has extensive knowledge in the field of genetics. He was appointed as the director of 龍脈(上海)健康管理服務有限公司, indirectly owned subsidiary of the Company, on 6 December 2011.

*Non-executive Directors*

**Ms. Jiang Nian**, aged 58, has been appointed as a non-executive Director and chairman of the Company with effect from 21 December 2010 and 10 June 2011 respectively. Ms. Jiang graduated from 安徽廣播電視大學省直分校專科 (Junior College, Provincial Campus of Anhui Radio and Television University) in August 1986, majoring in Chinese Language and Literature. Ms. Jiang was the Associate Dean of the School of Life Sciences of Fudan University from June 2003 to April 2010. To the Company's best knowledge, she also serves as an authorized representative of 聯合基因生物醫葯有限公司 (United Gene Biomedical Limited), a private genetic engineering company partly owned by the mother of Dr. Mao. She has extensive experience in general administrative management, particularly in the field of genomic research.

**Ms. Xiao Yan**, aged 33, has been appointed as a non-executive Director with effect from 22 May 2012. Ms. Xiao graduated from the Shanghai University of Finance and Economics with a bachelor's degree in Accounting in 2007. Ms. Xiao has served as an administrative manager of the chief executive, Dr. Xie Yi, in 聯合基因科技有限公司 (United Gene Holdings Limited) since 2002. Ms. Xiao has extensive experience in medical services and general administration. On 1 December 2011, she was appointed as the finance manager of 中荷(平湖)生物技術有限公司 (CNL (Pinghu)), which is an indirectly owned subsidiary of the Company.

**Ms. Wu Yanmin**, aged 35, has been appointed as a non-executive Director with effect from 8 June 2011. Ms. Wu graduated from the School of Life Sciences, Shanghai University in 1999 with a bachelor's degree in biochemistry. Ms. Wu joined 聯合基因科技有限公司 (United Gene Technology Holdings Limited), a genetic engineering company substantially owned by Dr. Mao indirectly, in 2001 and was responsible for general administrative duties. Since 2006, Ms. Wu has served as an assistant to the chairman of United Gene Holdings Limited, and is responsible for assisting the chairman in handling various investment projects. Ms. Wu has extensive experience in general administrative and investment management.

*Independent non-executive Directors*

**Ms. Chen Weijun**, aged 54, has been appointed as an independent non-executive Director with effect from 6 November 2009. Ms. Chen is currently the manager in the business department of Shanghai Ruihe Certified Public Accountants Co., Ltd. She was the formerly the finance supervisor of the companies indirectly controlled by Dr. Mao from April 2001 to June 2003. She graduated from the Chinese Communist Party Central Party College and has been a registered accountant in the PRC since 2005. She has more than 30 years of experience in accounting, finance and audit services.

**Dr. Zhang Zhihong**, aged 72, has been appointed as an independent non-executive Director and a member of the audit committee of the Company with effect from 8 June 2011. Dr. Zhang graduated from Fudan University majoring in biophysics in 1963 and obtained a doctorate in science from Kyoto University, Japan in 1988. From 1990 to 1991, Dr. Zhang was a senior visiting fellow at the medical school of Harvard University in the United States of America. From 1986 to 2000, Dr. Zhang undertook various senior positions at Fudan University, including the officer of the Department of Physiology and Biophysics and the associate dean of the School of Life Sciences. Dr. Zhang was the deputy chairman of the Biophysical Society of China from 1994 to 2002 and the chairman of the Shanghai Society of Biophysics from 2000 to 2008. Dr. Zhang has extensive knowledge and is highly regarded in the field of biophysics and physiology in China.

**Mr. Wang Rongliang**, aged 62, has been appointed as an independent non-executive Director with effect from 8 June 2011 and is a member of the Audit Committee. Mr. Wang graduated from 上海市商業一局職工大學 (Shanghai First Commercial Bureau Staff College) majoring in business and economics. He acted as a deputy manager of 上海七百集團廣告有限公司 (Shanghai 700 Group Advertising Company Limited) from 1996 to 2005. Mr. Wang has extensive experience in operation and administrative management.

**(b) Addresses of the Directors of the Company**

| Name | Residential or business address |
|---|---|
| *Executive Directors* | |
| Lee Nga Yan | Rooms No. 1405–1406<br>Harbour Centre<br>No. 25 Harbour Road<br>Wanchai, Hong Kong |
| Guo Yi | Room 102, No. 15, Lane 493<br>East Tacheng Road, Jiading District<br>Shanghai, PRC |
| *Non-executive Directors* | |
| Jiang Nian | Room 2405, No. 2, Lane 48<br>West Jiao Tong Road<br>Shanghai, PRC |
| Xiao Yan | Room 502, No. 4, Lane 285<br>Jujin Road, Podong<br>Shanghai, PRC |
| Wu Yanmin | Room 106, No. 12, Lane 75<br>Chang Ling Road<br>Shanghai, PRC |
| *Independent non-executive Directors* | |
| Chen Weijun | Room 401, No. 6, Lane 365<br>Hengye Road<br>Shanghai, PRC |
| Zhang Zhihong | Room 501, No. 7, Lane 306<br>Hai Lun Road<br>Shanghai, PRC |
| Wang Rongliang | Room 2604, No. 2, Lane 48<br>West Jiao Tong Road<br>Shanghai, PRC |

**(c) Qualification of the company secretary of the Company**

**Mr. Lai Sai Wo, Ricky**, aged 38, has been appointed as the company secretary, financial controller of the Company with effect from 27 April 2012 and he has been appointed as an authorised representative of the Company with effect from 27 April 2012. Mr. Lai is a fellow member of the Association of Chartered Certified Accountants and a fellow Certified Public Accountant of Hong Kong Institute of Certified Public Accountants. Mr. Lai has about 15 years of professional experience in financial management, accounting and auditing.

## 14. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, printing, registration, translation, legal and accountancy charges, are estimated to be approximately HK$3.51 million on the basis of 3,649,352,418 Rights Shares to be issued and will be payable by the Company.

## 15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of the Rights Issue Documents and the written consent referred to in the paragraphs headed "Expert's Qualification and Consent" in this appendix have been delivered to the Registrar of Companies in Hong Kong for registration pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

## 16. LEGAL EFFECT

The Rights Issue Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance, so far as applicable.

## 17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Rooms No. 1405–1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong on any Business Day from the date of this Prospectus to the Latest Time for Acceptance (both days inclusive):

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the three years ended 30 June 2009, 2010 and 2011;

(c) the interim report of the Company for the six months ended 31 December 2011;

(d) the material contracts referred to in the section headed "Material contracts" in this appendix;

(e) the service contract referred to in the section headed "Directors' Service Contracts" in this appendix;

(f) the letter from the Board, the text of which is set out on pages 8 to 23 of this Prospectus;

(g) the report on unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, as set out in Appendix II of this Prospectus;

(h) the written consent of the expert referred to in the section headed "Expert's Qualification and Consent" in this appendix;

(i) a copy of each circular of the Company pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules since 30 June 2011 (being the date to which the latest published audited consolidated financial statements of the Group were made up); and

(j) this Prospectus.

## 18. MISCELLANEOUS

The English text of this Prospectus shall prevail over the Chinese text in case of any inconsistencies.