

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2010 AND PROPOSED CHANGE OF AUDITORS

The board of directors (the “Board”) of United Gene High-Tech Group Limited (the “Company”) is pleased to announce the audited consolidated annual financial information of the Company and its subsidiaries (collectively referred as the “Group”) for the year ended 30 June 2010 (the “Financial Year”) together with the comparative figures for the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Turnover	4	483,947	374,442
Cost of sales		(442,967)	(362,895)
Gross profit		40,980	11,547
Other income	5	247	631,559
Selling expenses		(9,709)	(2,421)
Administrative expenses		(18,026)	(28,237)
Profit from operations		13,492	612,448
Gain on deconsolidation of the subsidiaries	7	–	134,516
Finance cost	8	(184)	(633)
Profit before tax		13,308	746,331
Income tax expense	9	(2,132)	(1,090)
Profit for the year	10	11,176	745,241
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		102	(71)
Revaluation surplus on buildings		–	176
Other comprehensive income for the year, net of tax		102	105
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		11,278	745,346

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit/(Loss) attributable to:			
Equity holders of the Company		11,262	745,205
Non-controlling interests		(86)	36
		<u>11,176</u>	<u>745,241</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		11,355	745,310
Non-controlling interests		(77)	36
		<u>11,278</u>	<u>745,346</u>
			(Restated)
Earnings per share			
Basic and Diluted (HK cents per share)	<i>12</i>	<u>0.11</u>	<u>7.70</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 June 2010*

	<i>Notes</i>	2010 HK\$'000	2009 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>13</i>	2,115	1,718
Prepayments, deposits and other receivables	<i>14</i>	75,200	40,000
		<hr/> 77,315	<hr/> 41,718
Current assets			
Inventories		569	2,393
Prepayments, deposits and other receivables		5,148	17,839
Trade receivables	<i>15</i>	99,426	4,224
Bank and cash balances		344,224	74,065
		<hr/> 449,367	<hr/> 98,521
Current liabilities			
Trade payables	<i>16</i>	87,077	24,893
Accruals and other payables		7,257	6,415
Current tax liabilities		2,741	1,003
		<hr/> 97,075	<hr/> 32,311
Net current assets		<hr/> 352,292	<hr/> 66,210
NET ASSETS		<hr/> 429,607	<hr/> 107,928
Capital and reserves			
Share capital		121,645	60,823
Reserves		307,497	46,563
		<hr/> 429,142	<hr/> 107,386
Equity attributable to equity holders of the Company		429,142	107,386
Non-controlling interests		465	542
		<hr/> 429,607	<hr/> 107,928
TOTAL EQUITY		<hr/> 429,607	<hr/> 107,928

Notes:

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 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. During the Financial Year, its subsidiaries were principally engaged in the distribution of pharmaceutical products and gene testing services.

2. BASIS OF PREPARATION

Deconsolidation of subsidiaries

Pursuant to a scheme of arrangement (the "Scheme"), three subsidiaries of the Group, namely First Sight Technology Group Limited, Boomtown Ventures Limited and Far East Global Group Limited were transferred to the nominee of the scheme administrators on 11 July 2008 (the "Date of Transfer"). The Group therefore lost control on these subsidiaries since the Date of Transfer. In additions, Hong Kin Holdings Limited, which directly holds 上海德勝科技集團(安慶)製藥有限公司, passed a special resolution on 19 December 2008 that the company be wound up voluntarily. As such, the Group also lost control of these two subsidiaries since then. As such, the financial results, assets, liabilities and cash flows of First Sight Technology Group Limited, Boomtown Ventures Limited, Far East Global Group Limited, Hong Kin Holdings Limited and 上海德勝科技集團(安慶)製藥有限公司 were therefore deconsolidated from the consolidated financial statements of the Group since the respective dates 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 that are relevant to its operations and effective for its accounting year beginning on 1 July 2009. HKFRSs comprise HKFRS, Hong Kong Accounting Standards ("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 years except as stated below.

(a) Presentation of financial statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total amount carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. These presentation requirements have been applied retrospectively in these financial statements.

(b) Operating segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The primary segments reported under HKAS 14 "Segment Reporting" are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

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. TURNOVER

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Manufacturing and distribution of pharmaceutical products	230,923	327,582
Distribution of gene testing services	253,024	46,860
	<u>483,947</u>	<u>374,442</u>

5. OTHER INCOME

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest income	204	172
Release of a bank loan and other liabilities pursuant to the Scheme	–	631,378
Sundry income	43	9
	<u>247</u>	<u>631,559</u>

6. SEGMENT INFORMATION

The Group has two reportable segments as follows:

- manufacturing and distribution of pharmaceutical products
- distribution of gene testing 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 the financial statements. Segment profits or losses do not include dividend income, and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include convertible loans and derivative instruments. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

	Manufacturing and distribution of pharmaceutical products <i>(note)</i>		Distribution of gene testing services		Total	
	2010	2009	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Years ended 30 June 2010 and 2009:						
Revenue from external customers	230,923	327,582	253,024	46,860	483,947	374,442
Segment (loss)/profit after tax	(586)	(5,069)	11,621	4,177	11,035	(892)
Additional disclosures for operating segments:						
Capital expenditure	5	4	1,285	397	1,290	401
Interest income	6	156	6	9	12	165
Interest expense	332	633	3,862	–	4,194	633
Depreciation	83	1,065	300	10	383	1,075
Income tax expense	43	122	2,089	968	2,132	1,090
At 30 June 2010 and 2009:						
Segment assets	15,550	11,530	174,103	119,348	189,653	130,878
Segment liabilities	15,033	10,595	81,584	19,689	96,617	30,284

Note:

Since 19 December 2008, the Group's control over 上海德勝科技集團(安慶)製藥有限公司 had been lost due to the restructuring of the Group. As such, the Group's financial performance and position of the segment "Manufacturing and distribution of pharmaceutical products" for the Financial Year was solely arising from the trading of pharmaceutical products carried by the Co-operative Joint Venture (山東特利爾醫藥有限公司) (the "CJV") in the People's Republic of China (the "PRC").

2010
HK\$'000

2009
HK\$'000

Years ended 30 June 2010 and 2009:

Reconciliation of reportable segment profit/(loss), assets and liabilities:

Profit/(loss)

Total profit/(loss) of reportable segments	11,035	(892)
Corporate and others expenses	(8,143)	(20,521)
Elimination of intercompanies profit	8,048	744
Unallocated income:		
Other income	236	631,394
Gain on deconsolidation of the subsidiaries	–	134,516

Consolidated profit for the year	11,176	745,241
----------------------------------	---------------	---------

Assets

Total assets of reportable segments	189,653	130,878
Corporate and others assets	337,029	9,361

Consolidated total assets	526,682	140,239
---------------------------	----------------	---------

Liabilities

Total liabilities of reportable segments	96,617	30,284
Corporate and others liabilities	458	2,027

Consolidated total liabilities	97,075	32,311
--------------------------------	---------------	--------

The Group's operations are principally located in Hong Kong and the PRC. The Group's revenue from continuing operations from external customers and information about its non-current assets and capital expenditure by geographical location of the assets are as follows:

	Revenue		Non-current assets		Capital expenditure	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hong Kong	10,944	30,385	75,523	40,706	72	734
The PRC	473,003	344,057	1,792	1,012	1,258	4
	483,947	374,442	77,315	41,718	1,330	738

7. GAIN ON DECONSOLIDATION OF THE SUBSIDIARIES

2010
HK\$'000

2009
HK\$'000

Gain on deconsolidation of the subsidiaries	–	134,516
---	----------	----------------

As disclosed in note 2 to this announcement, the control over certain subsidiaries including First Sight Technology Group Limited, Boomtown Ventures Limited, Far East Global Group Limited, Hong Kin Holdings Limited and 上海德勝科技集團(安慶)製藥有限公司 had been lost since 11 July 2008 and 19 December 2008. As such, the financial results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group.

Net liabilities of these subsidiaries as at the dates of deconsolidation were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	22,535
Prepaid lease payments	10,554
Trade receivables	1,604
Prepayments, deposits and other receivables	380
Bank and cash balances	1,127
Bank loans	(27,512)
Trade payables	(15,553)
Accruals and other payables	(127,266)
Deferred tax	(1,495)
	<hr/>
Net liabilities deconsolidated	(135,626)
Release of foreign currency translation reserve	1,110
	<hr/>
Gain on deconsolidation of the subsidiaries	(134,516)
	<hr/> <hr/>

8. FINANCE COST

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on bank loans	184	633
	<hr/> <hr/>	<hr/> <hr/>

9. INCOME TAX EXPENSE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	2,371	812
(Over)/under-provision in prior years	(329)	156
Current tax – The PRC		
Provision for the year	90	122
	<hr/> <hr/>	<hr/> <hr/>
	2,132	1,090

Hong Kong Profits Tax has been provided at a rate of 16.5% (2009: 16.5%) based on the estimated assessable profit for the year.

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.

10. PROFIT FOR THE YEAR

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Depreciation	456	1,093
Directors' emoluments	1,450	1,411
Operating lease charges of land and buildings	2,840	805
Auditor's remuneration	530	980
Cost of inventories sold	227,157	322,564
Loss on written-off of property, plant and equipment	4	108
Impairment on an amount due from a deconsolidated subsidiary	–	3,226
Staff costs including directors' emoluments		
Salaries, bonus and other benefits	6,906	4,382
Retirement benefits scheme contributions	800	662
	<u>7,706</u>	<u>5,044</u>

11. DIVIDENDS

The directors of the Company (the "Directors") do not recommend the payment of a dividend for the Financial Year (2009: Nil).

12. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK\$11,262,000 (2009: approximately HK\$745,205,000) and the weighted average number of ordinary shares of 10,370,381,987 (2009: 9,681,840,935 as restated to reflect the rights issue of the Company in May 2010) 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 2010.

13. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the Financial Year, additions to property, plant and equipment of the Group is approximately HK\$1,330,000.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Deposit for entering the distributorship rights (<i>note (a)</i>)	40,000	40,000
Loans under the Franchise Agreements (<i>note (b)</i>)	35,200	–
	<u>75,200</u>	<u>40,000</u>

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 the 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 7 September 2009, China United agreed the Sales Target for the Financial Year to be maintained at the level of HK\$60,000,000. For the Financial Year, United Gene Health has achieved the Sales Target.
- (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 for the gene testing services in the PRC; and (ii) advanced a non-interest bearing loans to the Distributors in the amounts 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 has 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 is equal to or in excess of the Specified Amount relevant to that Distributor, United Gene Health agrees 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. In the event that the sales generated by any Distributor falls below the relevant Specified Amount for two consecutive years, United Gene Health will have the right to terminate the Franchise Agreement pertaining to the relevant Distributor and demand the repayment of the outstanding amount of the relevant Loan within three business days after giving the notice of termination. For the Financial Year, all the Distributors have achieved the Specified Amount and have generated total sales of approximately HK\$232,746,000. As a result, the Group recognised 20% of the Loans, that is HK\$8,800,000, as the selling expenses in the consolidated statement of comprehensive income for the Financial Year and offset the non-current prepayment by the same amount in the consolidated statement of financial position as at 30 June 2010.

15. TRADE RECEIVABLES

The Group’s trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 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, and net of allowance, is as follows:

	2010 HK\$’000	2009 HK\$’000
30 days or less	26,006	2,724
31 to 60 days	24,751	921
61 to 180 days	47,655	562
Over 180 days	1,014	17
	<u>99,426</u>	<u>4,224</u>

As at 30 June 2010 and 2009, no allowance was made for the trade receivables.

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Renminbi ("RMB")	9,543	4,224
Hong Kong dollars	89,883	–
	99,426	4,224

16. TRADE PAYABLES

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
30 days or less	23,100	13,157
31 to 60 days	21,248	9,779
61 to 180 days	39,984	1,189
Over 180 days	2,745	768
	87,077	24,893

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
RMB	9,072	5,406
Hong Kong dollars	78,005	19,487
	87,077	24,893

17. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 30 June 2010 (2009: nil).

18. CAPITAL COMMITMENTS

As at 30 June 2010, the Group had the significant capital commitment as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Property, plant and equipment contracted but not provided for	209	–

19. LEASE COMMITMENTS

As at 30 June 2010, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2010 HK\$'000	2009 HK\$'000
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
– within one year	2,128	1,610
– in the second to fifth years inclusive	–	1,014
	<u>2,128</u>	<u>2,624</u>

Operating lease payments represent rentals payable by the Group for certain of its offices and director's quarter. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

20. EVENTS AFTER THE REPORTING PERIOD

Acquisition of the 70% equity interest in a PRC company

On 9 July 2010, United Gene Health entered into a share transfer agreement and supplemental agreement with the independent third parties to purchase a total of 70% equity interest of CNL (Pinghu) Biotech Co. Ltd. ("CNL (Pinghu)") at a consideration of RMB15.12 million. CNL (Pinghu) is established in the PRC with limited liability and principally engaged in the business of wholesaling bone chips in the PRC. On 9 September 2010, United Gene Health injected the further capital investments of RMB15.88 million into CNL (Pinghu) upon completion of the share transfer. The balance of RMB4 million will be injected upon the release of the audit financial statements of CNL (Pinghu) for the year ended 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

Turnover of the Group for the Financial Year amounted to approximately HK\$483.9 million, representing approximately 29.25% increase from the previous financial year ended 30 June 2009 (the "Previous Financial Year") (approximately HK\$374.4 million). The increase in the turnover of approximately HK\$109.5 million for the Financial Year was mainly contributed by the distribution of the gene testing services that commenced in the PRC in May 2009. Profit attributable to the equity holders of the Company for the Financial Year was approximately HK\$11.3 million, compared to that of approximately HK\$745.2 million in the Previous Financial Year. This was due to the release of a bank loan and other liabilities amounting to approximately HK\$631.4 million pursuant to the Scheme and the gain on deconsolidation of the subsidiaries amounting to approximately HK\$134.5 million during the Previous Financial Year.

BUSINESS REVIEW

Distribution of gene testing services

The Group has continued to diversify its business within the PRC and to expand the market share of its distribution of gene testing services. One of its subsidiaries, United Gene Health, entered into five franchise agreements with five independent distributors, namely Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited for the period of five years on 15 July 2009. Under the Franchise Agreements, United Gene Health (i) appointed the Distributors as its distributors for the gene testing services in the PRC; and (ii) advanced a non-interest bearing loans to the Distributors in the amounts of HK\$6,000,000, HK\$8,000,000, HK\$8,000,000, HK\$10,000,000 and HK\$12,000,000 respectively, for the sole purpose of soliciting business and organising marketing activities as permitted by United Gene Health. An undertaking has 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. In the event that the sales generated by any Distributor in any one year is equal to or in excess of the Specified Amount relevant to that Distributor, United Gene Health agrees 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 is made by United Gene Health, pursuant to the relevant Franchise Agreement. In the event that the sales generated by the relevant Distributor falls below the relevant Specified Amount for two consecutive years, United Gene Health will have the right to terminate the Franchise Agreement pertaining to the relevant Distributor and to demand the repayment of the outstanding amount of the relevant Loan within three business days after giving the notice of termination. For the Financial Year, all the Distributors had generated approximately HK\$232.7 million sales from the distribution of gene testing services, which was higher than the Specified Amounts. No Distributor failed to meet the respective Specified Amount and was required to repay any amount of the relevant Loan.

During the Financial Year, turnover of the distribution of gene testing services was approximately HK\$253 million (approximately HK\$46.9 million in the Previous Financial Year). This substantial increase of approximately 439.95% was mainly due to the enlarged distribution coverage in the PRC since May 2009, which contributed approximately HK\$232.7 million to the turnover during the Financial Year. The gross profit margin increased from approximately 13.93% in the Previous Financial Year to approximately 14.71% in the Financial Year due to the enhancement of direct distribution channels to certain customers in the PRC.

Co-operative Joint Venture (山東特利爾醫藥有限公司) (the “CJV”) for the sale of pharmaceutical products

On 18 September 2009, for commercial reasons, the CJV and Laolaishou Biotech Company Limited (濟南老來壽生物科技有限公司) (“Laolaishou”), an independent third party, mutually agreed to terminate the exclusive distribution agreement in respect of the sales of the products of Laolaishou in the PRC with immediate effect. Termination of this agreement would not have any material financial impact on the Group’s operations or financial position.

In October 2009, a member of the top management of the CJV, who is mainly responsible for sales and marketing, encountered serious health problems. Since then, the Group has been looking for a suitable replacement. This has affected the turnover of the CJV which dropped significantly.

During the Financial Year, sales of the pharmaceutical products of the CJV was approximately HK\$230.9 million as compared to approximately HK\$323.9 million in the Previous Financial Year. This represents a substantial decrease of approximately 28.71% and gross profit margin decreased from approximately 1.71% in the Previous Financial Year to approximately 1.63% in the Financial Year.

PROSPECTS

Distribution of gene testing services

The management believes that the distribution of gene testing services has a strong market potential due to the continued increasing awareness of health care by the Chinese people and the increased national income of the PRC. The Directors believe that the Group has gained a substantial market share in the gene testing services market in the PRC. In view of its long-term development plans, the Group has to put equal weight to both the market preservation measures and the market development measures to be carried out in the gene testing business. From the year 2010 onwards, the Group will segment the market geographically and set up different policies and measures for further development. In addition, the Group will establish its marketing and distribution channels that may be managed by the Group directly, so as to achieve a more sustainable and stable growth in this business sector.

Provision of health care management services

On 23 June 2009, the Group established an indirect wholly-owned subsidiary, 聯合基因(上海)健康管理服務有限公司 (United Gene HealthCare Limited, Shanghai) (“United Gene HealthCare”), in Shanghai as a limited liability company with a registered capital of HK\$20 million, of which HK\$4 million was injected as at 30 June 2010 and applied towards the start-up and development costs for the business relating to health care centre. The scope of business of United Gene HealthCare includes health care management service, health care consultancy, health care apparatus wholesale and provision of ancillary services.

On 20 November 2009, United Gene HealthCare established in Guangzhou its first health care centre to provide the genome-based health care services. This health care centre serves as a pilot project before the Group commences on developing such services in large-scale in the future. For the Financial Year, this health care centre did not generate any income because it was still in the development and planning stages of setting up the provision of health care management services.

After conducting market research and feasibility study in the health care centre business, the Group intends to set up more health care centres (which would be cardiac medical centres) in Guangzhou, Shanghai, Beijing and other cities of the PRC, and use principally the genome technology to provide personal disease prevention and health advancement services. This development projects would be funded by the net proceeds raised from the rights issue of the Company in May 2010 as detailed in the paragraph headed “Capital structure” of the section headed “FINANCIAL REVIEW”.

Co-operative Joint Venture (山東特利爾醫藥有限公司) (the “CJV”) for the sale of pharmaceutical products

In view of the subdued financial performance and management succession problem of the CJV, the Group has been discussing with the joint venture partner on future development of the CJV’s business. The Board is of the view that if the management succession problem of the CJV is resolved, the current business situation of the CJV would not have any material financial impact on the Group.

Bio-industrial business

In June 2009, the State Council of the PRC Government issued the announcement of “促進生物產業加快發展若干政策” (“Advance bio-industry to speed up the development of a number of policies”). Since then, the bio-industry in the PRC has entered into an accelerating development trend. In view of this development, the Group intends to aggressively explore more businesses related to the bio-industry to increase its profitability. On 9 July 2010, the Group acquired CNL (Pinghu) which is principally engaged in the business of wholesaling bone chips in the PRC. As a result, the Group has become involved in the trading of biological raw materials, and through CNL (Pinghu), the Group would establish more cooperation with the European biotechnology enterprises and seek more acquisition opportunities.

FINANCIAL REVIEW

Capital structure, liquidity, financial resources

Capital structure

	2010	2009
	HK\$’000	HK\$’000
Authorized:		
50,000,000,000 ordinary shares of HK\$0.01 each (<i>Note a</i>)		
(2009: 10,000,000,000 ordinary shares of HK\$0.01 each)	500,000	100,000
	<u><u>500,000</u></u>	<u><u>100,000</u></u>
Issued and fully paid:		
12,164,508,062 ordinary shares of HK\$0.01 each		
(2009: 6,082,254,031 ordinary shares of HK\$0.01 each)	121,645	60,823
	<u><u>121,645</u></u>	<u><u>60,823</u></u>

The following is a summary of the movements in the issued share capital:

	Number of shares issued	Share capital HK\$'000
As at 1 July 2008	217,574,240	2,176
Shares issued pursuant to subscription/placing agreements (<i>Note b</i>)	5,864,679,791	58,647
As at 30 June and 1 July 2009	6,082,254,031	60,823
Shares issued pursuant to rights issue (<i>Note c</i>)	6,082,254,031	60,822
As at 30 June 2010	<u>12,164,508,062</u>	<u>121,645</u>

Notes:

- (a) The Company's authorized share capital was increased from HK\$100,000,000 to HK\$500,000,000 by creation of 40,000,000,000 new shares of HK\$0.01 each, immediately upon approval by the shareholders through the way of a special resolution in the annual general meeting held on 6 November 2009.
- (b) Pursuant to the following subscription/placing agreements which form a part of the group restructuring and were approved by the shareholders of the Company at the extraordinary general meeting held on 20 June 2008, the Company issued a total of 5,864,679,791 shares on 18 July 2008.

Agreements	Subscriber/Placee	Shares issued	Price per share HK\$	Total amount raised HK\$'000	Share capital HK\$'000	Share premium HK\$'000
Subscription agreement dated 28 December 2007	Best Champion Holdings Limited	4,133,910,560	0.0145	59,942	41,339	18,603
Placing agreement dated 24 January 2008	Partners Capital Securities Limited	576,923,077	0.0520	30,000	5,769	24,231
Subscription agreement dated 9 April 2008	ADM Galleus Fund Limited	1,153,846,154	0.0520	60,000	11,539	48,461
		<u>5,864,679,791</u>		<u>149,942</u>	<u>58,647</u>	<u>91,295</u>

- (c) 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 shares given to the shareholders of the Company on the basis of one rights share for every existing share in issue, which would result 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, of which approximately 90% is expected to be applied for future business development activities including but not limited to investing in the health care centres in Guangzhou, Beijing, Shanghai and other cities in the PRC and investing in the business of health care and pharmaceutical products such as oral insulin, etc.. Approximately 10% of the funds will be used for general working capital of the Group.

Liquidity and financial resources

As at 30 June 2010, the Group had bank and cash balances of approximately HK\$344.2 million (30 June 2009: approximately HK\$74.1 million).

The ratio of current assets to current liabilities of the Group was 4.63 as at 30 June 2010 compared to 3.05 as at 30 June 2009. The Group's gearing ratio as at 30 June 2010 was 0.18 (30 June 2009: 0.23) which is calculated based on the Group's total liabilities of approximately HK\$97.1 million (30 June 2009: approximately HK\$32.3 million) and the Group's total assets of approximately HK\$526.7 million (30 June 2009: approximately HK\$140.2 million).

Significant investment

On 15 February 2010, United Gene HealthCare entered into a joint venture agreement with an independent third party to jointly establish 上海途舒館健康管理服務有限公司 ("SH HealthCare Joint Venture") in Shanghai, which is a limited liability company with a registered capital of RMB22.5 million. United Gene HealthCare has contributed partial investment cost of RMB900,000 for a 20% equity interest in SH HealthCare Joint Venture. As the operation of SH HealthCare Joint Venture did not reflect the mission of the Group, on 18 June 2010, United Gene HealthCare entered into a share transfer agreement to dispose of the 20% equity interest in SH HealthCare Joint Venture to another independent third party for the sum of RMB900,000.

On 9 July 2010, United Gene Health entered into a share transfer agreement and a supplemental agreement with certain independent third parties to purchase a total of 70% equity interest in CNL (Pinghu) for a consideration of RMB15.12 million. CNL (Pinghu) is established in the PRC with limited liability and is principally engaged in the business of wholesale of bone chips in the PRC. On 9 September 2010, United Gene Health injected further capital investments of RMB15.88 million into CNL (Pinghu) upon completion of the share transfer. The balance of RMB4 million will be injected upon release of the audited financial statements of CNL (Pinghu) for the year ended 31 December 2010.

Save as disclosed above, the Group had no other significant investment, nor has it made any material acquisition or disposal of Group's companies or associated companies during the Financial Year. (30 June 2009: nil)

Charges on the Group's assets

As at 30 June 2010, the Group did not have any charges on its assets. (30 June 2009: nil)

Foreign exchange exposure

The monetary assets and liabilities and businesses of the Group are mainly carried out and conducted in Hong Kong dollars and Renminbi. The Group maintains a prudent strategy in its foreign exchange risk management, with the foreign exchange risks being minimised through balancing the monetary assets against monetary liabilities, and foreign currency revenue against foreign currency expenditure. The Group did not use any financial instrument to hedge against foreign currency risk. The Group will monitor its foreign currency exposure closely and consider hedging foreign currency exposure should the need arise.

Number and remuneration of employees

As at 30 June 2010, the Group had 85 (30 June 2009: 184) full-time employees, most of whom were working in the subsidiaries in the PRC. It is the Group's policy that remuneration of the employees including the Directors is in line with the market and commensurate with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement schemes, training programmes and education subsidies.

Total staff costs including the directors' remuneration for the Financial Year amounted to approximately HK\$7.7 million (2009: approximately HK\$5 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES OR ITS SUBSIDIARIES' SECURITIES

During the Financial Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares or the securities of the Company's subsidiaries.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to complying with all the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Listing Rules, except for the deviations discussed below.

Code provision A.4.1

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and should be subject to re-election.

The Company has deviated from the Code provision A.4.1. The independent non-executive Directors were not appointed for specific terms but are subject to retirement by rotation and re-election at least once every three years in accordance with the provision of the Company’s articles of association. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

The Board believes that, despite the absence of specified term of non-executive Directors, the Directors are committed to representing the long-term interests of the Company and its shareholders.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors’ securities transactions. All the Directors have confirmed that they have fully complied with the Model Code throughout the Financial Year.

AUDIT COMMITTEE

The Audit Committee of the Company (the “Audit Committee”) consists of three independent non-executive Directors, namely Dr. Zhang Huiming, Ms. Chen Weijun and Ms. Jiang Di. Ms. Chen Weijun is the chairman of the Audit Committee. It reviews with the management of the accounting policies and practices adopted by the Group and discusses the auditing, internal control and financial reporting matters. The Group’s audited financial statements for the Financial Year have been reviewed by the Audit Committee.

SCOPE OF WORK OF ANDA CERTIFIED PUBLIC ACCOUNTANTS

The figures in respect of this announcement of the Group’s results for the Financial Year have been agreed by the Group’s auditors, ANDA Certified Public Accountants (“ANDA”), to the amounts set out in the Group’s audited consolidated financial statements for the Financial Year. The work performed by ANDA in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ANDA on this announcement.

PROPOSED CHANGE OF AUDITORS

Notice has been received from ANDA due to the reorganization of its professional practice, ANDA CPA Limited, a corporate practice of certified public accountants, was incorporated to take over substantially all of the assignments of ANDA. As such, ANDA will not offer themselves for re-election as the auditors of the Company at the forthcoming annual general meeting (“2010 AGM”), and as such, ANDA shall retire from office with effect immediately upon the conclusion of the 2010 AGM. The Directors propose to appoint ANDA CPA Limited as the new auditors of the Company following the resignation of ANDA and to hold office until the conclusion of the next annual general meeting of the Company. The Directors are of the view that it would be in the best interest of the Company and the shareholders of the Company as a whole to appoint ANDA CPA Limited to continue to serve the Company.

ANDA has confirmed that there is no matters which need to be brought to the attention of the shareholders and the creditors of the Company in relation to their cessation as the auditors of the Company. The Board also confirms that, apart from the reason set out in the above paragraph, there are no matters in respect of the above change of auditor that should be brought to the attention of the shareholders or creditors of the Company or its subsidiaries.

A resolution will be proposed at the 2010 AGM to appoint ANDA CPA Limited as the new auditors of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company www.unitedgenegroup.com and www.irasia.com/listco/hk/unitedgene. The annual report of the Company for the Financial Year containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the above websites in due course.

By Order of the Board
United Gene High-Tech Group Limited
Qin Yilong
Chairman

Hong Kong, 27 September 2010

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Qin Yilong (Chairman), Mr. Shen Xiaodong and Mr. Jiang Jian, and three independent non-executive Directors, namely Dr. Zhang Huiming, Ms. Chen Weijun and Ms. Jiang Di.