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

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 399)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

The board (the "**Board**") of directors (the "**Directors**") of United Gene High-Tech Group Limited (the "**Company**") hereby announces the audited consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2015 (the "**Financial Year**") together with the comparative figures for the period ended 31 March 2014 (the "**Previous Financial Period**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Notes	**1.4.2014 to 31.3.2015** ***HK$'000***	1.7.2013 to 31.3.2014 *HK$'000*
Continuing operations			
Revenue	*4*	**33,976**	29,744
Cost of sales and services		**(33,058)**	(30,316)
Gross profit (loss)		**918**	(572)
Other income	*5*	**4,138**	4,867
Other gains and losses, net	*5*	**(365,578)**	(512,013)
Selling expenses		**–**	(201)
Administrative expenses		**(27,890)**	(26,266)
Research and development expenses		**(5,304)**	–
Other expenses		**(10,556)**	(14,061)
Share of results of associates		**295**	(3,987)
Finance costs	*6*	**(52,937)**	(5,105)
Loss before tax		**(456,914)**	(557,338)
Income tax expense		**–**	–

	Note	1.4.2014 to 31.3.2015 HK$'000	1.7.2013 to 31.3.2014 HK$'000
Loss for the year/period from continuing operations	7	**(456,914)**	(557,338)
Discontinued operation			
Profit for the period from discontinued operation		**–**	140
Loss for the year/period		**(456,914)**	(557,198)
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value changes of available-for-sale financial assets		**231**	530
Reclassification adjustments upon disposal of available-for-sale financial assets		**(1,269)**	116
Exchange differences on translation of foreign operation		**(10)**	(65)
Reclassification adjustments for the cumulated exchange reserve upon disposal/loss of control of subsidiaries		**–**	(1,306)
		(1,048)	(725)
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation on land and buildings		**948**	2,023
Deferred taxation arising on revaluation of land and buildings		**(237)**	(506)
		711	1,517
Other comprehensive (expense) income for the year/period		**(337)**	792
Total comprehensive expense for the year/period		**(457,251)**	(556,406)

	Note	**1.4.2014 to 31.3.2015** *HK$'000*	1.7.2013 to 31.3.2014 *HK$'000*
(Loss) profit for the year/period attributable to owners of the Company:			
– from continuing operations		**(451,684)**	(555,495)
– from discontinued operation		**–**	5,148
		(451,684)	(550,347)
Loss for the year/period attributable to non-controlling interests:			
– from continuing operations		**(5,230)**	(1,843)
– from discontinued operation		**–**	(5,008)
		(5,230)	(6,851)
		(456,914)	(557,198)
Total comprehensive expense for the year/period attributable to:			
Owners of the Company		**(452,021)**	(549,555)
Non-controlling interests		**(5,230)**	(6,851)
		(457,251)	(556,406)
		HK cents	***HK cents***
Loss per share	*9*		
From continuing and discontinued operations			
Basic		**(35.77)**	(50.58)
Diluted		**(35.77)**	(50.58)
From continuing operations			
Basic		**(35.77)**	(51.06)
Diluted		**(35.77)**	(51.06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**36,346**	37,259
Interests in associates	*10*	**143,634**	184,500
Investments in convertible bonds	*11*	**257,368**	208,940
Intangible assets	*12*	**1,373,224**	–
Available-for-sale financial assets		**6,887**	–
Loan to a non-controlling interest		**3,557**	–
Amount due from the subsidiary of an associate		**10,378**	–
		1,831,394	430,699
Current assets			
Inventories - finished goods		**–**	61
Trade receivables	*13*	**9,992**	11,411
Prepayments, deposits and other receivables		**7,975**	1,125
Available-for-sale financial assets		**–**	105,871
Bank balances and cash		**191,191**	192,351
		209,158	310,819
Current liabilities			
Trade payables	*14*	**7,099**	4,817
Accruals and other payables		**9,217**	10,318
Amounts due to non-controlling interests		**22,871**	–
Amounts due to former non-controlling interests		**823**	–
Amount due to the subsidiary of an associate		**41,947**	–
		81,957	15,135
Net current assets		**127,201**	295,684
Total assets less current liabilities		**1,958,595**	726,383

	Note	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Convertible bonds	*15*	**351,400**	52,228
Deferred tax liabilities		**2,174**	1,934
Loan from a non-controlling interest		**3,557**	–
		357,131	54,162
NET ASSETS		**1,601,464**	672,221
Capital and reserves			
Share capital		**13,042**	11,362
Reserves		**704,836**	651,010
Equity attributable to owners of the Company		**717,878**	662,372
Non-controlling interests		**883,586**	9,849
TOTAL EQUITY		**1,601,464**	672,221

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 March 2015

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As set out in the announcement of the Company issued on 28 February 2014, the financial year end date of the Company was changed from 30 June to 31 March to align the Company's financial year end date with that of the Company's principal listed associate which is the Group's substantial investment. Accordingly, whilst the consolidated financial statements for the current accounting period cover a twelve month period from 1 April 2014 to 31 March 2015, the corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, and related notes cover a nine-month period from 1 July 2013 to 31 March 2014 and therefore may not be comparable with amounts shown for the current period.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27,	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) - INT 21	Levies

The application of these amendments to HKFRSs and the new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28,	Investment entities: Applying the consolidation exception[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to HKAS 1	Disclosure initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[3]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[4]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on the amounts reported in respect of the Group's financial assets. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

The Directors anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. REVENUE AND SEGMENT INFORMATION

Revenue for the year/period from continuing operations represents the fair value of amounts received and receivable for goods sold or services rendered by the Group to outside customers, less discounts and related taxes for the year/period, and is analysed as follows:

	1.4.2014 to 31.3.2015	1.7.2013 to 31.3.2014
	HK$'000	*HK$'000*
Provision of genetic testing services	**191**	93
Trading of beauty equipment and products	**33,785**	29,651
	33,976	29,744

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

Upon the acquisition of Smart Ascent Limited ("**Smart Ascent**") on 28 July 2014 as set out in note 16, the Group commenced a new reportable and operating segment of "Research and development" during the current period as indicated below.

The Group has five reportable and operating segments as follows:

(a) provision of genetic testing services in the PRC and Hong Kong ("**Provision of genetic testing services**")

(b) distribution of bio-industrial products in the PRC ("**Distribution of bio-industrial products**")

(c) trading of beauty equipment and products in Hong Kong ("**Trading of beauty equipment and products**")

(d) securities investment in Hong Kong and outside Hong Kong ("**Securities investment**")

(e) research, development and commercialization of an oral insulin product ("**Research and development**")

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

An operating segment regarding the provision of health care management services was discontinued in November 2013. The segment information reported below does not include any amounts for the discontinued operation.

Segment (loss) profit represents the loss incurred by or profit earned from each segment without allocation of corporate and other expenses and other income, gains and losses, net. All assets are allocated to segments other than corporate assets, interests in associates, investments in convertible bonds, amount due from the subsidiary of an associate, loan to a non-controlling interest and bank balances and cash. All liabilities are allocated to segments other than corporate liabilities, amounts due to the subsidiary of an associate, non-controlling interests and former non-controlling interests, loan from a non-controlling interest and convertible bonds.

	Provision of genetic testing services		**Distribution of bio-industrial products**		**Trading of beauty equipment and products**		**Securities investment**		**Research and development**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations												
Twelve months ended 31 March 2015 and nine months ended 31 March 2014												
Revenue from external customers	**191**	93	**–**	–	**33,785**	29,651	**–**	–	**–**	N/A	**33,976**	29,744
Segment (loss) profit	**(4,584)**	(12,129)	**(2,752)**	(2,361)	**742**	459	**1,205**	2,901	**(6,124)**	N/A	**(11,513)**	(11,130)
Additional disclosures for operating segments:												
Additions to property, plant and equipment	**–**	431	**–**	4	**–**	–	**–**	–	**–**	N/A	**–**	435
Interest income received from available-for-sale investments	**–**	–	**–**	–	**–**	–	**36**	3,091	**–**	N/A	**36**	3,091
Depreciation of property, plant and equipment	**6**	2,016	**1,079**	806	**–**	3	**–**	–	**–**	N/A	**1,085**	2,825
At 31 March 2015 and 31 March 2014												
Segment assets	**374**	1,148	**36,391**	36,660	**9,992**	11,392	**6,887**	105,871	**1,394,085**	N/A	**1,447,729**	155,071
Segment liabilities	**157**	241	**5,719**	9,190	**9,060**	4,885	**–**	–	**69,352**	N/A	**84,288**	14,316

Reconciliation of reportable segment loss, assets and liabilities:

	1.4.2014 to 31.3.2015	1.7.2013 to 31.3.2014
	HK$'000	*HK$'000*
Segment loss		
Total segment loss	**(11,513)**	(11,130)
Corporate and other expenses	**(77,920)**	(31,194)
Share of results of associates	**295**	(3,987)
Unallocated other income, gains and losses, net	**(367,776)**	(511,027)
Consolidated loss for the year/period from continuing operations	**(456,914)**	(557,338)
Assets		
Total segment assets	**1,447,729**	155,071
Interests in associates	**143,634**	184,500
Investments in convertible bonds	**257,368**	208,940
Corporate and other assets	**191,821**	193,007
Consolidated total assets	**2,040,552**	741,518
Liabilities		
Total segment liabilities	**84,288**	14,316
Convertible bonds	**351,400**	52,228
Corporate and other liabilities	**3,400**	2,753
Consolidated total liabilities	**439,088**	69,297

Geographical information

The Group's operations are principally located in Hong Kong and the PRC. The Group's revenue from continuing operations from external customers based on location of operations and information about its non-current assets (excluding financial instruments, intangible assets and interests in associates) by geographical location of the assets are as follows:

	Revenue		Non-current assets (excluding financial instruments, intangible assets, and interests in associates)	
	1.4.2014 to 31.3.2015	1.7.2013 to 31.3.2014	**31.3.2015**	31.3.2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**33,785**	29,651	**75**	103
The PRC	**191**	93	**36,271**	37,156
	33,976	29,744	**36,346**	37,259

Interests in associates were excluded from geographical information disclosure as the Group's major associate, Extrawell Pharmaceutical Holdings Limited ("**Extrawell**"), has several principal places of operations and businesses.

Information about major customers

Revenue from customers of the corresponding year/period contributing over 10% of the total revenue are as follows:

	1.4.2014 to 31.3.2015	1.7.2013 to 31.3.2014
	HK$'000	*HK$'000*
Customer A[1]	**22,797**	17,974
Customer B[1]	**10,988**	11,677

1 Revenue from trading of beauty equipment and products.

5. OTHER INCOME/OTHER GAINS AND LOSSES, NET

	1.4.2014 to 31.3.2015	1.7.2013 to 31.3.2014
	HK$'000	*HK$'000*
Other income		
Continuing operations		
Interest income from bank	**400**	789
Interest income from available-for-sale financial assets	**36**	3,091
Sundry income	**69**	5
Refund of business tax *(note)*	**–**	31
Effective interest income from investment in convertible bonds *(note 11)*	**3,053**	951
Imputed interest income from loan to a non-controlling interest	**580**	–
	4,138	4,867

Note: During the nine months ended 31 March 2014, the PRC government authorities granted a business tax refund to a subsidiary of the Company, 聯合基因(上海)健康管理服務有限公司, for the provision of genetic testing services in the PRC. As the Group disposed of this subsidiary during the Previous Financial Period, the Group no longer is granted this business tax refund.

	1.4.2014 to 31.3.2015	1.7.2013 to 31.3.2014
	HK$'000	*HK$'000*
Other gains and losses, net		
Continuing operations		
(Loss) gain on disposal of subsidiaries	**(184)**	12,998
Change in fair value of derivative components of investments in convertible bonds *(note 11)*	**(60,953)**	(34,511)
Loss on initial recognition of investments in convertible bonds acquired during the period *(note 11)*	**(277,821)**	(204,493)
Impairment loss on interest in an associate *(note 10)*	**(29,218)**	(285,815)
Net gain (loss) on disposal of available-for-sale financial assets	**1,269**	(116)
Gain (loss) on written off/disposals of property, plant and equipment	**1,329**	(76)
	(365,578)	(512,013)

6. FINANCE COSTS

	1.4.2014 to 31.3.2015 *HK$'000*	1.7.2013 to 31.3.2014 *HK$'000*
Continuing operations		
Effective interest expense on convertible bonds *(note 15)*	**52,357**	5,105
Imputed interest expense on loan from a non-controlling interest	**580**	–
	52,937	5,105

7. LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS

	1.4.2014 to 31.3.2015 *HK$'000*	1.7.2013 to 31.3.2014 *HK$'000*
Loss for the year/period from continuing operations has been arrived at after charging the following:		
Auditor's remuneration	**1,200**	1,850
Depreciation of property, plant and equipment	**1,286**	2,870
Rental expense for premises under operating leases	**1,378**	3,277
Cost of inventories recognised as an expense	**32,801**	28,788
Provision for litigation and legal costs (included in other expenses)	**–**	3,800
Staff costs inclusive of directors' emoluments		
Salaries, bonus and other benefits	**7,079**	9,010
Retirement benefits scheme contributions	**1,136**	1,946
	8,215	10,956

8. DIVIDENDS

The Directors do not recommend the payment of dividends for the twelve months ended 31 March 2015 (nine months ended 31 March 2014: nil).

9. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss

	1.4.2014 to 31.3.2015	1.7.2013 to 31.3.2014
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share (Loss for the year/period attributable to owners of the Company)	**(451,684)**	(550,347)

Number of shares

	1.4.2014 to 31.3.2015	1.7.2013 to 31.3.2014
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,262,525**	1,088,018

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as their assumed conversion would decrease the loss per share from continuing operations for the current year and prior period.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	1.4.2014 to 31.3.2015	1.7.2013 to 31.3.2014
	HK$'000	*HK$'000*
Loss figures are calculated as follows:		
Loss for the year/period attributable to owners of the Company	**(451,684)**	(550,347)
Less: Profit for the period from discontinued operation	**–**	(5,148)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(451,684)**	(555,495)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

For the nine months ended 31 March 2014, basic and diluted earnings per share for the discontinued operation was HK$0.48 cents per share, which is based on the profit for the period from the discontinued operation of approximately HK$5,148,000 and the denominators detailed above for both basic and diluted loss per share.

10. INTERESTS IN ASSOCIATES

On 27 April 2013, the Company entered into the conditional sale and purchase agreement to acquire 450,000,000 ordinary shares of Extrawell, a listed company in Hong Kong, of par value HK$0.01 each from JNJ Investments Limited (a company in which 33.33% equity interest is beneficially owned by each of Dr. Mao Yumin ("**Dr. Mao**") and Dr. Xie Yi ("**Dr. Xie**") at a consideration of HK$288,000,000, which was satisfied by issuance of convertible bonds in the principal amount of HK$288,000,000 by the Company. On 25 October 2013, since all conditions precedent to the abovementioned acquisition were fulfilled, the acquisition of the Extrawell's shares was completed on 25 October 2013, of which 370,000,000 ordinary shares of Extrawell were acquired by issuance of convertible bonds (Convertible Bonds I – see note 15) in the principal amount of HK$236,800,000, and the remaining 80,000,000 ordinary shares of Extrawell were acquired on 27 December 2013 by issuance of Convertible Bonds I in the principal amount of HK$51,200,000.

As a result of the change in the composition of the board of directors and the percentage of voting rights in shareholders' and board of directors' meetings of Longmark (Shanghai) Healthcare Limited ("**Longmark Shanghai**") on 29 November 2013, the Group was no longer in a position to exercise control over Longmark Shanghai. Since then, Longmark Shanghai and its wholly-owned subsidiary, 上海龍冠門診部有限公司 ("**Longguan**"), ceased to be subsidiaries of the Group and became associates of the Group in the Previous Financial Period.

	2015	2014
	HK$'000	*HK$'000*
Cost of investment in associates		
– Listed in Hong Kong *(note a)*	**476,841**	474,302
– Unlisted	**–**	–
Share of post-acquisition losses and other comprehensive expense	**81,548**	(3,987)
Impairment loss on interest in associates *(note b)*	**(315,033)**	(285,815)
Adjustment against non-controlling interests *(note c)*	**(99,722)**	–
	143,634	184,500
Fair value of listed investments *(note)*	**146,403**	184,500

Notes:

(a) The cost of investment in Extrawell represents the aggregate of (i) the fair value of the Convertible Bonds I with principal amount of HK$236,800,000 issued by the Company on 25 October 2013 for the acquisition of 370,000,000 ordinary shares of Extrawell that amounted to HK$387,160,000; (ii) the fair value of the Convertible Bonds I with principal amount of HK$51,200,000 issued by the Company on 27 December 2013 for the acquisition of 80,000,000 ordinary shares of Extrawell that amounted to HK$87,142,000; and (iii) further acquisition of 7,510,000 ordinary shares of Extrawell at cost of HK$2,539,000 during the current year.

(b) During the period ended 31 March 2014, the Group recognised impairment loss on acquisition of an associate of approximately HK$253,802,000 in profit or loss which resulted from differences between the total of the fair value of convertible bonds (issued by the Company as consideration for the acquisition) of HK$387,160,000 and HK$87,142,000 as at 25 October 2013 and 27 December 2013 respectively, and the total fair value of the shares of Extrawell acquired by the Group of HK$220,500,000 as determined by the share prices of Extrawell at the respective dates. As at 31 March 2014, the Directors have performed impairment assessment of the carrying amount of the interest in the associate. The recoverable amount of the interest in Extrawell was determined by reference to the fair value based on by the share price of Extrawell which was lower than its carrying amount. Accordingly, a further impairment loss of HK$32,013,000 was recognised in the profit or loss during the period ended 31 March 2014.

On 28 July 2014, when the Group purchased 51% equity interest in Smart Ascent from Extrawell (BVI) Limited, a wholly-owned subsidiary of Extrawell ("**Extrawell (BVI)**"), the Group recognised impairment loss of approximately HK$29,218,000 in profit or loss which represented the difference between the fair value of the shares of Extrawell based on the share price of Extrawell and the carrying amount of interests in associates (including the interests in Smart Ascent held by Extrawell) before adjustment against non-controlling interests.

As at 31 March 2015, the Directors have performed impairment assessment of the carrying amount of the interest in the associate. The recoverable amount of the interest in Extrawell (excluding the interest in Smart Ascent held by Extrawell) was determined based on the Group's share of present value of the estimated future cash flows expected to be generated by the associate. Accordingly, no further impairment loss was recognised in the profit or loss during the year ended 31 March 2015.

(c) During the year ended 31 March 2015, the Group purchased 51% equity interest in Smart Ascent from Extrawell (BVI). The details of the acquisition are set out in note 16. Since Smart Ascent has become a non-wholly owned subsidiary of the Group and consequently Smart Ascent and its subsidiaries ("**Smart Ascent Group**") have been consolidated within the Group commencing from 28 July 2014, the amount of equity in Smart Ascent Group that is attributable to the remaining 49% interest in Smart Ascent held by Extrawell and included in the carrying amount of interest in Extrawell prior to the acquisition of Smart Ascent by the Group has been reclassified from non-controlling interest (and interest in associate) and treated as part of equity attributable to owners of the Company to the extent of the Company's attributable equity interest in Extrawell which represented the share of equity in Smart Ascent Group attributable to the Company's ownership interest in Extrawell.

(d) The fair value of listed investments is based on the quoted market bid price of the shares of Extrawell and hence include the value attributable to Extrawell's equity interest in the Smart Ascent Group whereas carrying amount of the Group's interest in Extrawell as an associate as at 31 March 2015 does not include that equity interest due to the adjustments against non-controlling interests (see note c above) and therefore is not comparable.

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of associates	Place of incorporation/ operation	Principal place of operation	Class of shares held	Proportion of voting power held by the Company		Proportion of nominal value of issued capital held by the Company		Principal activity
				2015	2014	**2015**	2014	
Extrawell	Bermuda	PRC	Ordinary shares	**19.14%**	18.83%	**19.14%**	18.83%	Development, manufacture and sale of pharmaceutical products
Longmark (Shanghai)	PRC	PRC	Registered capital	**33.33%**	33.33%	**50.02%**	50.02%	Provision of health care management services
Longguan	PRC	PRC	Registered capital	**33.33%**	33.33%	**50.02%**	50.02%	Provision of health care management services

11. INVESTMENTS IN CONVERTIBLE BONDS

On 27 April 2013, the Company entered into the conditional sale and purchase agreement to acquire (i) convertible bonds issued by Extrawell in an aggregate principal amount of HK$320,650,000 ("**Sale CB-I**") from Dr. Mao at an aggregate consideration of HK$320,000,000 ("**Consideration I**"); and (ii) convertible bonds issued by Extrawell in an aggregate principal amount up to HK$256,520,000 ("**Sale CB-II**"), in four batches, from Dr. Mao at an aggregate consideration up to a maximum amount of HK$256,000,000 ("**Consideration II**"), in four batches. Consideration I was satisfied payment of cash amounting to HK$120,000,000 and issuance of convertible bonds in the principal amount of HK$200,000,000 by the Company. Consideration II was satisfied by issuance of convertible bonds in the principal amount of HK$256,000,000 in four batches by the Company.

The Sale CB-I and Sale CB-II (collectively referred to as the "**Sale CBs**") are zero coupon convertible bonds, with a maturity date of twentieth anniversary of the issue date and are denominated in HK$. The Sale CBs entitle the bond holders to convert them into shares of Extrawell at any time during the period commencing from the date of issuance up to the seventh business day prior to the maturity of the Sale CBs, at the conversion price per share of HK$0.6413, subject to anti-dilutive clauses.

The fair values of the Sale CBs and its components on initial recognition and of the derivative component as at 31 March 2014 and 2015 are determined based on the valuation conducted by an independent professional valuer. The movements of the debt components and derivative components of Sale CBs for the year/period are set out as below:

	Debt component *HK$'000*	**Derivative component** *HK$'000*	**Total** *HK$'000*
As at 1 July 2013	–	–	–
Acquisition of Sale CB-I	12,294	230,206	242,500
Effective interest income *(note 5)*	951	–	951
Change in fair value *(note 5)*	–	(34,511)	(34,511)
As at 31 March 2014	13,245	195,695	208,940
Acquisition of Sale CB-II – first batch	2,572	37,571	40,143
Acquisition of Sale CB-II – second batch	2,628	31,010	33,638
Acquisition of Sale CB-II – third batch	2,533	30,014	32,547
Effective interest income *(note 5)*	3,053	–	3,053
Change in fair value *(note 5)*	–	(60,953)	(60,953)
At 31 March 2015	24,031	233,337	257,368

The acquisition of Sale CB-I was completed on 25 October 2013. The acquisition of the first, second and third batches of Sale CB-II, each batch having a principal amount of HK$64,130,000, were completed on 24 April 2014, 30 August 2014 and 31 December 2014, respectively. The fourth batch of Sale CB-II differs from the first three batches as both the Company and Dr. Mao have the option not to complete the sale and purchase by giving notice not less than 10 business days in writing to the other party in accordance with the sale and purchase agreement and therefore was not recognised as a forward derivative contract as at 31 March 2015. The acquisition of the fourth batch of Sale CB-II was completed on 30 April 2015. On initial recognition, the fair value of the debt component of Sale CBs is determined using the prevailing market interest rate of similar non-convertible debts and is carried at amortised cost subsequently. The effective interest rate is 18.33%. The fair value of the embedded conversion options of Sale CBs as at the respective acquisition dates, 31 March 2014 and 31 March 2015 are calculated using the Binomial Model and taking into account the dilution effect of the conversion of the convertible bonds.

During the year ended 31 March 2015, the Group recognised (i) loss on acquisition of investments in convertible bonds of approximately HK$277,821,000 in profit or loss which is resulted from the differences between the fair value of Consideration II of HK$384,149,000 satisfied by the issuance of convertible bonds in the aggregate principal amount of HK$192,000,000 in three batches by the Company and the aggregate fair value of investments in convertible bonds of HK$106,328,000 as at respective acquisition dates; and (ii) subsequent decrease in fair value of the derivative component of investments in convertible bonds of HK$60,953,000 as at 31 March 2015. During the period ended 31 March 2014, the Group recognised (i) loss on acquisition of investments in convertible bonds of approximately HK$204,493,000 in profit or loss which is resulted from differences between the fair value of Consideration I of HK$446,993,000 and the fair value of investments in convertible bonds of HK$242,500,000 as at 25 October 2013; and (ii) subsequent decrease in fair value of the derivative component of investments in convertible bonds of HK$34,511,000 as at 31 March 2014.

As at 31 March 2015, the carrying amounts of the debt and the derivative components of the investments in convertible bonds are HK$24,031,000 (2014: HK$13,245,000) and HK$233,337,000 (2014: HK$195,695,000) respectively.

12. INTANGIBLE ASSETS

	In-process R & D
	HK$'000
COST AND CARRYING VALUES	
At 1 April 2014	–
Acquisition through acquisition of subsidiaries *(note 16)*	1,458,464
Unrealised gain	(85,240)
At 31 March 2015	1,373,224

The In-process R&D represents an in-process research and development project involving an oral insulin product.

13. 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.

As at 31 March 2014 and 2015, the following is an aged analysis of trade receivables, presented based on invoice dates, which approximated the respective revenue recognition dates at the end of the reporting period.

	2015	2014
	HK$'000	*HK$'000*
30 days or less	**2,610**	3,138
31 to 60 days	**1,765**	1,894
61 to 90 days	**2,929**	3,223
91 to 180 days	**2,688**	3,136
Over 181 days	**–**	20
	9,992	11,411

As at 31 March 2015, included in the Group's trade debtors is an aggregate carrying amount of HK$2,688,000 (2014: HK$3,156,000) which were past due and for which the Group has not made a provision for impairment. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	2015	2014
	HK$'000	*HK$'000*
30 days or less	**2,688**	3,136
Over 90 days	**–**	20
	2,688	3,156

14. TRADE PAYABLES

The aging analysis of trade payables, based on invoice dates at the end of the reporting period, is as follows:

	2015	2014
	HK$'000	HK$'000
30 days or less	**2,541**	3,047
31 to 60 days	**1,714**	1,770
61 to 180 days	**2,844**	–
	7,099	4,817

The average credit period on purchase of goods normally range from 60 days to 90 days.

15. CONVERTIBLE BONDS

Pursuant to the placing agreement and subscription agreement entered on 18 February 2013, the Company issued convertible bonds ("**Convertible Bonds**") with coupon rate of 0.1% per annum and an aggregate principal amount of HK$133,000,000 at par on 11 June 2013. The Convertible Bonds mature on the tenth anniversary of the date of issue.

The Convertible Bonds entitle the bond holders to convert them into shares of the Company at any time within 10 years from the date of issue of the convertible bonds, at the conversion price per share of HK$0.4, subject to anti-dilution clauses.

If the Convertible Bonds have not been converted, they will be redeemed at par on the tenth anniversary of the date of issue. The Company is allowed at any time since the date of issue to the maturity date, to redeem all or part of the outstanding convertible bonds at par any time from the date of issuance together with interest accrued to the date fixed for redemption by giving not less than 14 business days' notices to the bond holders.

The Convertible Bonds are issued in HK$. In assessing the value of Convertible Bonds, Convertible Bonds are separated into two components that are separately valued: liability (together with embedded derivative for early redemption right by the Company which is closely related to the host debt) and equity components. On 11 June 2013, the fair value of the liability component was HK$13,938,000, which has been determined by the discounted cashflow approach using the prevailing market interest rate of similar non-convertible bonds and taking into account the credit risk of the Company. The equity component is HK$119,062,000, which is the difference between the proceeds received and the fair value of the liability component. Transaction costs of HK$193,000 and HK$1,646,000 are allocated to the liability and equity components respectively.

The effective interest rate of the liability component of the Convertible Bonds is 25.74%.

During the year ended 31 March 2015, Convertible Bonds of an aggregate principal amount of HK$6,800,000 (nine months ended 31 March 2014: aggregate principal amount of HK$106,200,000) were converted into ordinary shares of the Company.

The movement of liability component of the Convertible Bonds for the year/period is set out below:

	Principal amount *HK$'000*	**Carrying amount** *HK$'000*
As at 1 July 2013	113,000	11,825
Interest charge *(note 6)*	–	362
Conversion to ordinary shares	(106,200)	(11,334)
As at 31 March 2014	6,800	853
Interest charge *(note 6)*	–	64
Conversion to ordinary shares	(6,800)	(917)
As at 31 March 2015	**–**	**–**

As disclosed in notes 10 and 11, the Company issued convertible bonds in an aggregate principal amount of HK$436,800,000 and HK$51,200,000 respectively on 25 October 2013 and 27 December 2013 (collectively referred to as "**Convertible Bonds I**") for the acquisition of Sale CB-I and 450,000,000 ordinary shares of Extrawell. The Convertible Bonds I with a zero coupon rate mature on the tenth anniversary of the date of issue.

The Convertible Bonds I entitle the bond holders to convert them into shares of the Company at any time within 10 years from the date of issue of the Convertible Bonds I, at the conversion price per share of HK$0.4, subject to anti-dilution clauses.

If the Convertible Bonds I have not been converted, they will be redeemed at par on the tenth anniversary of the date of issue.

The Convertible Bonds I are issued in HK$. The fair values of the liability component were HK$42,886,000 and HK$4,981,000 for the Convertible Bonds I issued by the Company at 25 October 2013 and 27 December 2013 respectively, which has been determined by the discounted cashflow approach using the prevailing market interest rate of similar non-convertible bonds and taking into account the credit risk of the Company. The fair values of the conversion option of HK$671,267,000 and HK$82,161,000 classified as equity component for the Convertible Bonds I issued by the Company at 25 October 2013 and 27 December 2013 respectively are calculated using the Binomial Model.

During the year ended 31 March 2015, Convertible Bonds I with aggregate principal amounts of HK$60,400,000 (nine months ended 31 March 2014: HK$12,000,000) were converted into ordinary shares of the Company.

The movement of liability component of Convertible Bonds I for the year/period is set out below:

	Principal amount *HK$'000*	Carrying amount *HK$'000*
As at 1 July 2013	–	–
Issuance of Convertible Bonds I	488,000	47,867
Interest charge *(note 6)*	–	4,743
Conversion to ordinary shares	(12,000)	(1,235)
31 March 2014	476,000	51,375
Interest charge *(note 6)*	–	12,102
Conversion to ordinary shares	(60,400)	(6,930)
31 March 2015	**415,600**	**56,547**

As disclosed in notes 10 and 11, the Company issued convertible bonds in an aggregate principal amount of HK$64,000,000, HK$64,000,000 and HK$64,000,000 respectively on 24 April 2014, 30 August 2014 and 31 December 2014 (collectively referred to as "**Convertible Bonds II**") for the acquisition of Sale CB-II first batch, second batch and third batch respectively. The Convertible Bonds II with zero coupon rate will mature on the tenth anniversary of the date of issue.

The Convertible Bonds II entitle the bond holders to convert them into shares of the Company at any time within 10 years from the date of issue of the Convertible Bonds I, at the initial conversion price per share of HK$0.4, subject to anti-dilution clauses.

If the Convertible Bonds II have not been converted, they will be redeemed at par on the tenth anniversary of the date of issue.

The Convertible Bonds II are issued in HK$. The fair values of the liability component were HK$6,622,000, HK$6,916,000 and HK$7,577,000 for the Convertible Bonds II issued by the Company at 24 April 2014, 30 August 2014 and 31 December 2014 respectively, which has been determined by the discounted cash flow approach using the prevailing market interest rate of similar non-convertible bonds and taking into account the credit risk of the Company. The fair values of the conversion option of HK$131,454,000, HK$118,983,000 and HK$112,597,000 classified as equity component for the Convertible Bonds II issued by the Company at 24 April 2014, 30 August 2014 and 31 December 2014 respectively are calculated using Binomial Model.

During the year ended 31 March 2015, none of Convertible Bonds II was converted into ordinary shares of the Company.

The movement of liability component of Convertible Bond II for the year is set out below:

	Principal amount *HK$'000*	Carrying amount *HK$'000*
As at 1 April 2014	–	–
Issuance of Convertible Bonds II	192,000	21,115
Interest charge *(note 6)*	–	2,946
31 March 2015	**192,000**	**24,061**

The Company issued convertible bonds to its associate, Extrawell, in an aggregate principal amount of HK$715,000,000 on 28 July 2014 ("**Convertible Bonds III**") as part of the consideration paid to acquire of 51% equity interest in Smart Ascent Limited. The Convertible Bonds III with coupon rate of 3.5% per annum will mature on the seventh anniversary of the date of issue.

The Convertible Bonds III entitle the bond holders to convert them into shares of the Company at any time within 7 years from the date of issue of the Convertible Bonds III, at the initial conversion price per share of HK$2.5, subject to anti-dilution clauses.

If the Convertible Bonds III have not been converted, they will be redeemed at par on the seventh anniversary of the date of issue.

The Convertible Bonds III are issued in HK$. The fair values of the liability component was HK$233,547,000 for the Convertible Bonds III issued by the Company at 28 July 2014, which has been determined by the discounted cash flow approach using the prevailing market interest rate of similar non-convertible bonds and taking into account the credit risk of the Company. The fair values of the conversion option of HK$136,646,000 classified as equity component for the Convertible Bonds III issued by the Company at 28 July 2014 is calculated using Binomial Model.

During the year ended 31 March 2015, none of Convertible Bonds III was converted into ordinary shares of the Company.

The movement of liability component of Convertible Bond III for the year is set out below:

	Principal amount *HK$'000*	Carrying amount *HK$'000*
As at 1 April 2014	–	–
Issuance of Convertible Bonds III	715,000	233,547
Interest charge	–	37,245
31 March 2015	**715,000**	**270,792**

The effective interest rates of all the liability components of all the convertible bonds range from: 23.78% to 25.46% per annum (31 March 2014: 23.42% to 23.52% per annum).

16. ACQUISITION OF SUBSIDIARIES

On 17 March 2014, Clear Rich International Limited, a wholly-owned subsidiary of the Company ("**Clear Rich**"), and Extrawell (BVI) entered into an acquisition agreement pursuant to which Clear Rich would purchase 51% of the equity interest of Smart Ascent from Extrawell (BVI) at a consideration of HK$780,000,000, which would satisfied by the issuance of convertible bonds in the principal amount of HK$715,000,000 by the Company and payment of cash in the amount of HK$65,000,000. The transaction was completed on 28 July 2014 and on that date the Smart Ascent Group became subsidiaries of the Company. The Smart Ascent Group is engaged in research and development of an oral insulin product.

The net assets acquired in the transaction are as follows:

	HK$'000
Net assets acquired:	
Intangible assets	1,458,464
Amount due from shareholder	10,378
Loan to an non-controlling interest	2,977
Prepayments, deposits and other receivables	13,622
Bank and cash balances	353
Accruals and other payables	(3,300)
Amount due to shareholder	(41,941)
Amounts due to non-controlling interests	(22,871)
Amounts due to former non-controlling interests	(823)
Loan from a non-controlling interest	(2,977)
	1,413,882
Non-controlling interests	(978,689)
	435,193
Total consideration satisfied by:	
Cash consideration	65,000
Issuance of convertible bonds (at fair value)	370,193
	435,193
Net cash outflow arising on acquisition:	
Cash consideration	65,000
Less: bank and cash acquired	(353)
	64,647

17. CONTINGENT LIABILITIES AND LITIGATION

Litigation concerning CNL (Pinghu) Biotech Co. Ltd. ("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 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 (collectively referred to as the "**Construction Agreements**") entered into between CNL (Pinghu) and Jiangsu Ruifeng, to claim the outstanding construction cost of RMB13,150,000, the related interests and litigation costs of the case. Pursuant to the Construction Agreements, the total construction costs was RMB16,675,000. Jiangsu Ruifeng had issued invoices amounting to RMB29,126,000 in relation to the construction work they performed. The aggregated invoice amount was substantially different from the contracted amount. CNL (Pinghu) only settled the amount of RMB16,601,000 and was recorded as the cost of buildings as at 30 June 2012. 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 HK$222,000 as at 30 June 2012, which was significantly lower than the amount stated in the civil ruling. The frozen balance was released during the year ended 30 June 2013. On 14 January 2013, an independent construction consulting company, which was appointed by Pinghu District Court, issued a statement certifying the total construction cost incurred would be in a range between RMB15,093,000 (equivalent to approximately HK$19,142,000) and RMB18,766,000 (equivalent to HK$23,801,000). According to the relevant legal opinion dated on 29 July 2013, the possibility for Pinghu District Court for adopting the construction cost of RMB18,766,000 is higher. On 20 December 2013, the 浙江省平湖市人民法院 (People's Court of Pinghu City, Zhejiang Province) delivered a further civil ruling, pursuant to which, CNL (Pinghu) shall, after the said civil ruling came into force, pay to Jiangsu Ruifeng, among other things, a fee of RMB3,309,000 (equivalent to approximately HK$4,197,000) for the construction services rendered. CNL (Pinghu) filed an application to appeal to 浙江省嘉興市中級人民法院 (the Intermediate People's Court of Jiaxing City, Zhejiang Province). On 25 April 2014, 浙江省嘉興市中級人民法院 upheld the original ruling of 浙江省平湖市人民法院 and the Company was required to pay approximately RMB4,223,000 (equivalent to approximately HK$5,333,000) to Jiangsu Ruifeng. Total provision has been made by the Group in this regard as at 31 March 2014. During the year ended 31 March 2015, the Company has received payment notice of approximately RMB2,897,000 (equivalent to approximately HK$3,660,000) and settled accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

Revenue of the Group from continuing operations for the Financial Year amounted to HK$34.0 million, representing an improvement from the total revenue of HK$29.7 million recorded in the Previous Financial Period, which was primarily due to the increase in trading of beauty equipment and products activity during the Financial Year. Loss attributable to the owners of the Company was HK$451.6 million for the Financial Year, representing an improvement from the loss of HK$550.3 million for the Previous Financial Period. The reduction of loss was primarily caused by less impairment loss being required for the Group's investments in shares of Extrawell.

BUSINESS REVIEW

Provision of genetic testing services

Since 2010, the Group has held the permanent and exclusive distribution rights for genetic testing services in the regions of the PRC, Hong Kong and Macau, permanent non-exclusive distribution rights for genetic testing services in other regions, and the right to use certain logos on genetic testing products and for genetic testing services that are distributed by the Group. The Group has franchised the distribution rights of the genetic testing products and services and expects to generate greater business activity going forward. During the Financial Year, revenue arising from the provision of genetic testing services increased to HK$191,000, from HK$93,000 in the Previous Financial Period.

Distribution of bio-industrial products

The Group has held the exclusive distribution rights for the distribution of bone chips and fat in the PRC from 1 January 2010 for a term of 5 years. Upon its expiry, these rights will automatically be renewed for an additional 10 years, subject to any objection raised by any relevant party on or before 31 December 2014. No objection was raised by any relevant party before the stipulated deadline and therefore the rights were renewed and the terms were extended by an additional 10 years. There was no revenue arising from the distribution of bio-industrial products during both the Financial Year and Previous Financial Period.

Trading of beauty equipment and products

The Group commenced the trading of beauty equipment and products since June 2013. During the Financial Year, revenue arising from the trading of beauty equipment and products amounted to HK$33.8 million, representing a slight improvement of approximately 13.8% over the revenue of HK$29.7 million recorded for the Previous Financial Period.

Investments in Extrawell

In April 2013, the Company entered into a conditional sale and purchase agreement through which the Group acquired shares and convertible bonds issued by Extrawell, a company of which shares are listed on the Main Board of the Stock Exchange. The Group's investment in Extrawell is therefore sensitive to share price fluctuations of Extrawell's publicly traded shares and subject to impairment assessment in accordance with Hong Kong Accounting Standards.

Research and development

In July 2014, the Company completed the acquisition of a majority stake in the Smart Ascent Group, representing 51% of the issued share capital of Smart Ascent. Upon completion of such acquisition, Smart Ascent became owned as to 51% by the Company and the companies of the Smart Ascent Group became non-wholly owned subsidiaries of the Company. Smart Ascent Group is principally engaged in the research and development of a technology that would allow insulin to be administered orally.

As a condition of the acquisition of the Smart Ascent Group, the Group had agreed to fundraise, on a best endeavour basis, and use the proceeds of the fund raising activities to expedite the research and development of the Product, an oral insulin product being developed by the Smart Ascent Group. As at the date of this announcement, no fundraising activities were completed by the Group in time for the technology's development schedule to match the schedule that was outlined in the circular detailing the acquisition of the Smart Ascent Group dated 26 June 2014. The Smart Ascent Group is undergoing restructuring that will allow the Group to better deploy funding to its research segment and improve the efficiency of research and development spending. The development of the Product has continued to make progress, and the Group will make announcements as appropriate and in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Thus far, the Group has financed the research and development of the Product with the Group's internal resources but remains active and open to other fundraising activities.

PROSPECTS

Provision of genetic testing services

In October 2014, the Group franchised the genetic testing distribution rights to two related parties who began providing genetic testing services and selling genetic testing products in the PRC. Whilst the Group anticipates an improvement in the genetic testing segment but it also remains cautions to the continuous challenging regulatory environment in the PRC which may have an adverse impact to the prospects of genetic testing in the PRC in the long run.

Distribution of bio-industrial products

CNL (Pinghu) Biotech Co. Ltd., a non-wholly owned subsidiary of the Company, ("**CNL (Pinghu)**") commenced the construction of the production plant, research and development workshop and office in 2010. Since 2012, CNL (Pinghu) has been a defendant to a civil litigation suit in the PRC regarding the construction costs of the production plant. A verdict on the civil litigation suit was reached in April 2014 pursuant to which it was ruled that the Group is liable to pay approximately RMB4.2 million to the plaintiffs. As at the date of this announcement, the Group has paid a portion of the liabilities and continues to actively seek legal remedies and resolution and has initiated further legal action. Further announcement will be made by the Company as appropriate pursuant to the requirements of the Listing Rules.

Trading of beauty equipment and products

Trading segment of the Group represents the major component contributing to the Group's revenues. The major trading products of the Group are beauty equipment and beauty products. It is expected that the rising GDPs and average incomes in many Asian developing countries will continue to create greater demand for this segment. Revenues and profit margins of the Group from the trading segment have been relatively stable in the past and the Group aims to increase trading volume by offering terms of repayment more favourable than competitors as compared to the trading industry standard and products that are high in demand and thereby improve profits of the Group in the long run.

Securities investment

The Group is optimistic that the global and Asian economic outlooks will continue to improve. The management of the Group continues to actively review the performance of the Group's portfolio and source new investment products. During the Financial Year, the Group gained access to a greater number of investment products and is actively reviewing the products and anticipates investing in the products in the near future as and when appropriate.

Research and development

The Group operates the Smart Ascent Group with the intention of completing the research and development of the technology that would allow insulin to be administered orally.

During the Financial Year, the Group explored potential opportunities with investors and potential partners. As at the date of this announcement, the Group has yet to encounter a suitable business partner. The Group will continue to evaluate potential products that would be used to bolster the Group's pipeline.

FINANCIAL REVIEW

Capital structure

	31.3.2015	31.3.2014
	HK$'000	*HK$'000*
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each (the "**Shares**")	**500,000**	500,000
Issued and fully paid:		
1,304,193,024 Shares (As at 31 March 2014: 1,136,193,024 Shares)	**13,042**	11,362

	Number of shares issued	**Share capital**
		HK$'000
As at 31 March 2014	1,136,193,024	11,362
Conversion of Convertible Bonds *(note a)*	17,000,000	170
Conversion of Convertible Bonds I *(note b)*	151,000,000	1,510
As at 31 March 2015	**1,304,193,024**	**13,042**

Notes:

(a) During the year ended 31 March 2015, 17,000,000 new shares were issued by the Company upon the conversion of the Convertible Bonds at a conversion price of HK$0.4 per Share.

(b) During the year ended 31 March 2015, 151,000,000 new shares were issued upon the conversion of the Convertible Bonds I at a conversion price of HK$0.4 per Share.

Liquidity and financial resources

As at 31 March 2015, the Group had bank and cash balances of approximately HK$191.1 million (31 March 2014: approximately HK$192.4 million).

As at 31 March 2015, total borrowings of the Group were approximately HK$420.6 million (31 March 2014: HK$52.2 million) which reflected the debt value of the Company's unconverted convertible bonds, amounts due to non-controlling interests, amounts due to associate companies, amounts due to former non-controlling interests, amounts due to the subsidiary of an associate, and loans from non-controlling interests.

The ratio of current assets to current liabilities of the Group was 2.79 as at 31 March 2015 as compared to 20.54 as at 31 March 2014. The change in the ratio as compared with the Previous Financial Period was primarily as result of the major acquisition of the Smart Ascent Group as 1) the Group's current assets decreased due to the cash consideration paid and 2) the Group's current liabilities increased as the Group acquired the current liabilities of the Smart Ascent Group. The Group's gearing ratio as at 31 March 2015 was 0.21 (31 March 2014: 0.09) which is calculated based on the Group's total liabilities of approximately HK$439.1 million (31 March 2014: approximately HK$69.3 million) and the Group's total assets of approximately HK$2,107.7 million (31 March 2014: approximately HK$741.5 million).

During the Financial Year, the Group liquidated its holdings of time deposits and listed bonds with the aim to invest in equity securities. The Group places importance on security, short-term commitment and availability of the surplus cash and cash equivalents.

Significant acquisition and investments

On 17 March 2014, Clear Rich International Limited ("**Clear Rich**"), a wholly-owned subsidiary of the Company as the purchaser and Extrawell (BVI) Limited (the "**Vendor**"), as vendor, entered into an acquisition agreement, pursuant to which Clear Rich conditionally agreed to acquire and the Vendor conditionally agreed to sell 51% interest in the share capital of Smart Ascent Group for a consideration of HK$780,000,000.

As additional time was required for the fulfillment of the conditions precedent, on 17 July 2014, Clear Rich and the Vendor entered into a confirmation letter pursuant to which Clear Rich and the Vendor agreed to extend the long stop date to 31 July 2014 or such other date as Clear Rich and Vendor may agree in writing.

Completion of the acquisition took place on 28 July 2014 when 5,100 ordinary shares representing 51% of the issued share capital of Smart Ascent Group was transferred to Clear Rich by the Vendor and the consideration in the sum of HK$780,000,000 was settled by Clear Rich with the Vendor in the following manner (i) a cash sum of HK$65,000,000 paid by Clear Rich to Extrawell as nominated by the Vendor in writing; and (ii) the issuance of convertible bonds of an aggregate principal amount of HK$715,000,000 by the Company to Extrawell as nominated by the Vendor in writing. Upon completion of the above acquisition, Smart Ascent Group became owned as to 51% by the Company and therefore non-wholly owned subsidiaries of the Company. The Group will continue to maintain Smart Ascent Group's existing research and development budgets, and has worked to integrate Smart Ascent Group into the Group.

On 24 April 2014, 30 August 2014 and 31 December 2014, the Group further acquired three tranches of convertible bonds issued by Extrawell with a principal amount of HK$64.13 million for each tranche from Dr. Mao pursuant to the conditional sale and purchase agreement entered into between among others, the Company and Dr. Mao dated 27 April 2013 (hereinafter referred to as "**Transaction II**"). The Company issued three tranches of convertible bonds with a principal amount of HK$64 million for each tranche as consideration for the above transaction.

Dr. Mao is a controlling shareholder of the Company. Accordingly, Dr. Mao is considered as a connected person of the Company and Extrawell under Chapter 14A of the Listing Rules. As such, the above transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules and shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

The fourth batch, which is also the final batch of Transaction II, has not been recognized in the Group's financial statements as it is not subject to forward contract treatment because the Company and Dr. Mao both have the option to not complete the fourth batch and therefore the conditions necessary to satisfy the fourth batch have not yet been fulfilled as at the reporting date.

Save for the above, the Group had no other significant investments, nor had it made any material acquisition or disposal of the Group's subsidiaries or associated companies during the Financial Year.

Significant loss on acquisition of convertible bonds

During the Financial Year, the Group acquired three tranches of convertible bonds issued by Extrawell with all three batches having principal amounts of HK$64.13 million. The difference between the fair value of the considerations exchanged was recognized during the Financial Year created an accounting loss of approximately HK$277.8 million.

Charges on the Group's assets

As at 31 March 2015, the Group and the Company did not have any charges on their assets (31 March 2014: Nil).

Contingent liabilities

Details of litigation and contingent liabilities are set out in note 17 to the consolidated financial statements.

Foreign exchange exposure

The monetary assets and liabilities and businesses of the Group are mainly carried out and conducted in Hong Kong Dollars, Renminbi and United States Dollars. The Group maintains a prudent strategy in its foreign exchange risk management, with the foreign exchange risk being minimised through balancing the foreign currency monetary assets against foreign currency monetary liabilities, and foreign currency revenue against foreign currency expenditure. The Group did not use any financial instrument to hedge against foreign currency risk during the Financial Year. 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 31 March 2015, the Group had 48 (31 March 2014: 67) full-time employees, most of whom were working in the Company's subsidiaries in the PRC. The decrease in staff is due to increases in the efficiency of human resources of the Group and subsequent redundancies. It is the Group's policy that remuneration of the employees and Directors is in line with the market and commensurate with their responsibilities. Discretionary year-end bonuses are payable to the employees based on individual performance. Other employee benefits 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$8.2 million (Previous Financial Period: approximately HK$11.0 million).

Segment information

Details of the segment information is set out in note 4 to the consolidated financial statements.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with all the code provisions as set out in Appendix 14 to the Listing Rules on the Stock Exchange (the "**Code**") for the Financial Year, except for the deviations discussed below.

Code provision A.2.1

Ms. Jiang Nian is the chairman of the Group. As at the date of this announcement, no suitable candidate has been identified and the role of chief executive officer remains vacant. The Company is continually looking for a suitable person to assume this role.

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 non-executive Directors and independent non-executive Directors were not appointed for specific term 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 Directors believe that, despite the absence of specified terms for non-executive Directors, the Directors are committed to representing the long-term interests of the Company and its shareholders as a whole.

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 Directors have confirmed that they have fully complied with the Model Code throughout the Financial Year. No incident of non-compliance was noted by the Company in the Financial Year.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") is composed of three independent non-executive Directors. 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.

EXTRACTED FROM INDEPENDENT AUDITORS' REPORT

The auditor expressed an unqualified opinion in the auditor's report, but including an emphasis of matter paragraph. Details of which are extracted and reproduced as follows:

"OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

As explained in note 20 to the consolidated financial statements, the major asset held by the Group is the intangible asset in relation to an in-process research and development project (the "**In-process R&D**") involving an oral insulin product ("**the Product**") of which the carrying amount is HK$1,373,224,000 as at 31 March 2015. The carrying amount of the In-process R&D is highly dependent upon further research and development work required to be carried out, result of the clinical trial and the successful launching of the Product. Should the outcome of the clinical trial and the launching of the Product be unsuccessful, material adjustments may be required and consequently have an adverse effect on the net assets and the results of the Group."

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2015 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

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) and the Stock Exchange (www.hkex.com.hk). 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
Lee Nga Yan
Executive Director

Hong Kong, 30 June 2015

As at the date of this announcement, the Board comprises Ms. Jiang Nian (chairman & non-executive Director), Ms. Lee Nga Yan (executive Director), Dr. Guo Yi (executive Director), Mr. Tang Rong (executive Director), Ms. Xiao Yan (non-executive Director), Ms. Wu Yanmin (non-executive Director), Ms. Chen Weijun (independent non-executive Director), Dr. Zhang Zhihong (independent non-executive Director) and Mr. Wang Rongliang (independent non-executive Director).