THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in United Gene High-Tech Group Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF ENTIRE EQUITY INTERESTS OF (1) FUDAN HEALTH (GUANG DONG) LTD. AND (2) FUDAN HEALTH INTERNATIONAL (HK) LIMITED

CONTINUING CONNECTED TRANSACTIONS

NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

AmCap
Ample Capital Limited
豐盛融資有限公司

A letter from the Board is set out on pages 6 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 17 and 18 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 30 of this circular.

A notice convening an extraordinary general meeting (the "EGM") of the Company to be held at Rooms No. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong on Wednesday, 8 December 2010 at 4:00 p.m. is enclosed with this circular. A form of proxy for the EGM is also enclosed with this circular.

Whether or not you desire to attend the EGM in person, please complete, sign and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting thereof (as the case may be) should you so wish and in such event, the proxy shall be deemed to be revoked.

22 November 2010

CONTENTS

Pages

In this circular, unless the context otherwise requires, the expressions below shall have the following meanings:

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement entered into between the Purchaser and the Vendors dated 8 November 2010 in relation to the Acquisition
"Annual Caps A"	the maximum aggregate monetary value in respect of continuing connected transaction under the Continuing Supplies
"Annual Caps B"	the maximum aggregate monetary value in respect of the continuing connected transaction under the Distribution Arrangement
"associates"	has the meaning ascribed to in the Listing Rules
"Board"	the board of Directors
"Bozhong"	上海博仲生物技術有限公司 (for identification purpose, Shanghai Bozhong Biotechnology Co. Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of Vendor A
"BVI"	the British Virgin Islands
"China United"	China United Gene Health Industry Limited, a company incorporated in Hong Kong with limited liability, is the existing grantee of the exclusive worldwide distributorship right of Gene Testing by Bozhong
"Company"	United Gene High-Tech Group Limited, a company incorporated in the Cayman Island with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion for the sale and purchase of the Sale Shares pursuant to the terms of the Acquisition Agreement

"Completion Date"	the third business day after all the conditions precedent of the Acquisition Agreement have been fulfilled or waived
"Consideration"	the aggregate of HK$78,000,000 and set-off amount of net liabilities value of Target B and the Sale Loan as at the Completion Date, being the consideration for the Acquisition
"Continuing Supplies"	the ongoing supplies of Gene Testing by Bozhong and Fudan MCO pursuant to the terms and conditions under the Exclusive Agreements
"Director(s)"	the director(s) of the Company
"Distribution Arrangement"	the sub-distribution services performed by Bozhong for the Gene Testing in the PRC, Hong Kong and Macau
"Dr. Mao"	Dr. Mao Yumin, a substantial shareholder of the Company and the ultimate beneficial owner of the Vendors
"EGM"	the extraordinary general meeting of the Company to be held and convened at Rooms No. 1405-1406, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Wednesday, 8 December 2010 at 4:00 p.m. for the purpose of considering and, if though fit, approving the Acquisition Agreement, the Exclusive Agreements and the transactions contemplated thereunder
"Enlarged Group"	collectively the Group and the Targets
"Exclusive Agreements"	the conditional exclusive agreements entered into between Target A and each of Bozhong and Fudan MCO dated 8 November 2010 in relation to the Exclusive Rights, the Non-Exclusive Rights, the Continuing Supplies and the Distribution Arrangement, which would be effective upon the Completion
"Exclusive Rights"	the exclusive rights of distributing the Gene Testing provided by Bozhong and Fudan MCO in the PRC, Hong Kong and Macau under the Exclusive Agreements

"Fudan MCO"	Fudan Health International (MCO) Limited, a company incorporated in Macau with limited liability and a wholly owned subsidiary of Vendor B
"Gene Testing"	the diseases susceptibility gene testing services, and the gene consultancy services products
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors, namely Dr. Zhang Huiming, Ms. Chen Weijun and Ms. Jiang Di, to advise the Independent Shareholders regarding the Acquisition, the Continuing Supplies and the Distribution Arrangement
"Independent Financial Adviser"	Ample Capital Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition and the continuing connected transactions under the Continuing Supplies and the Distribution Arrangement
"Independent Shareholders"	Shareholders other than Dr. Mao and his associates
"Latest Practicable Date"	18 November 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macao Special Administrative Region of the PRC
"Non-exclusive Rights"	the non-exclusive rights of distributing the Gene Testing provided by Fudan MCO in the regions other than the PRC, Hong Kong and Macau under the Exclusive Agreements

"PRC"	the People's Republic of China which for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
"Purchaser"	Bestdone Limited, a company incorporated in the BVI with limited liability and is an indirect wholly owned subsidiary of the Company
"Sale Loan"	the outstanding amount of loan due from Target B to Vendor B
"Sale Shares"	the 1 share and 10,000 shares representing the entire 100% issued share capital of Target A and Target B respectively
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"Target A"	Fudan Health (Guang Dong) Ltd., a company incorporated in the BVI with limited liability and a wholly owned subsidiary of Vendor A
"Target B"	Fudan Health International (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of Vendor B
"Targets"	Target A and Target B
"United Gene Health"	China United Gene Health Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
"UG Logo"	certain logos granted by Vendor A to Target A for use in the business of Gene Testing in the PRC, Hong Kong and Macau

"Valuation Report"	the valuation report in respect of the valuation of Target A as set out in Appendix V of this circular
"Vendor A"	United Gene Health Group Limited, a company incorporated in the BVI with limited liability of which the entire equity interest is indirectly owned by Dr. Mao
"Vendor B"	Fudan Health International Limited, a company incorporated in the BVI with limited liability and a wholly owned subsidiary of Vendor A
"Vendors"	Vendor A and Vendor B
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"USD"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 399)

Executive Directors:
Mr. Qin Yilong *(Chairman)*
Mr. Shen Xiaodong
Mr. Jiang Jian

Independent Non-executive Directors:
Dr. Zhang Huiming
Ms. Chen Weijun
Ms. Jiang Di

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

Principal Place of Business in Hong Kong:
Room Nos. 1405-1406
Harbour Centre
No. 25 Harbour Road
Wanchai, Hong Kong

22 November 2010

Dear Shareholder(s),

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF ENTIRE EQUITY INTERESTS OF (1) FUDAN HEALTH (GUANG DONG) LTD. AND (2) FUDAN HEALTH INTERNATIONAL (HK) LIMITED

CONTINUING CONNECTED TRANSACTIONS

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 8 November 2010, the Board announced that Bestdone Limited, an indirect wholly owned subsidiary of the Company, and the Vendors, entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to buy and the Vendors conditionally agreed to sell the Sale Shares, representing the entire equity interests in the Targets.

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the EGM relating to, inter alia, (i) approve the Acquisition; (ii) approve the Continuing Supplies and the Distribution Arrangement; and (iii) to give you notice of the EGM.

THE ACQUISITION AGREEMENT

Set out below are the principal terms of the Acquisition Agreement:

Date: 8 November 2010

Parties:

(1) Purchaser: Bestdone Limited, an indirect wholly owned subsidiary of the Company

(2) Vendors: United Gene Health Group Limited and Fudan Health International Limited, both being indirectly wholly owned by Dr. Mao as at the Latest Practicable Date

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to buy and the Vendors have conditionally agreed to sell the Sale Shares, representing 100% equity interests in the Targets.

To the best of the Directors' knowledge, information and belief having made reasonable enquiries, the Vendors, together with Bozhong and Fudan MCO, are principally engaged in the provision of gene testing products and services.

Consideration

The Consideration shall be the aggregate of HK$78,000,000 and the total set-off amount of net liabilities value of Target B and Sale Loan as at the Completion Date and shall be satisfied according to the following schedule:

(1) HK$78,000,000 shall be settled by the Purchaser within 10 business days after the Completion Date by way of telegraphic transfer; and

(2) the total set-off amount of net liabilities value of Target B and the Sale Loan as at the Completion Date, which is subject to a maximum amount of HK$2,200,000, shall be confirmed by Vendor B within 7 business days after the Completion Date and shall be settled by the Purchaser within 10 business days after the Completion Date.

As at 30 June 2010, there was the Sale Loan of HK$1.55 million. Pursuant to the Acquisition Agreement, Vendor B will transfer the full entitlement of such Sale Loan as at the Completion Date without recourse to the Purchaser.

Basis of the Consideration

The Consideration was agreed between the Purchaser and the Vendors after arm's length negotiations and on normal commercial terms by reference to the valuation of Target A (including the Exclusive Rights and right of use of UG Logo) as at 8 November 2010 and the net assets value of Target B based on its audited accounts as at 30 June 2010.

It is the present intention of the Directors that the Consideration will be satisfied by internal resources of the Group.

The total original acquisition cost of the Sale Shares by the Vendors was HK$10,008, that is, at the nominal value of such shares.

Conditions precedent of the Acquisition Agreement

Completion shall be subject to and conditional upon the fulfillment of the following conditions:

(i) the Purchaser having completed satisfactory due diligence works on, including but not limited to, the assets, liabilities, operations and other affairs of the Targets;

(ii) Vendors having obtained all the governmental and other regulatory approvals, consents and registration required for the Completion;

(iii) the passing of the required resolutions by the Shareholders by way of a poll at the EGM, including but not limited to, (1) the Acquisition; and (2) the continuing connected transactions under the Continuing Supplies and the Distribution Arrangement;

(iv) Vendor A shall provide to the Purchaser (in form and substances satisfactory to the Purchaser) the authorized documents for its permanent assignment to Target A and the Purchaser (and its associate companies) for the use of UG Logo in the PRC, Hong Kong and Macau;

(v) Vendor A shall provide to the Purchaser (in form and substances satisfactory to the Purchaser) its permanent assignment of the Exclusive Rights to Target A by Bozhong and Fudan MCO;

(vi) The Securities and Futures Commission in Hong Kong or the Stock Exchange have no objections to the Group and/or the Purchaser in relation to the transactions arising from the Acquisition Agreement up to the Completion Date;

(vii) Bozhong or its associate companies be entered into agreement(s) with China United to terminate the exclusive worldwide distributorship right granted to China United in respect of the Gene Testing which would be effective upon the Completion; and

(viii) each member of the Vendors will use its best endeavor to warrant the satisfaction of the above conditions precedent, especially to timely provide the Purchaser, Stock Exchange and other relevant regulatory bodies with all the documents and information required under the Listing Rules and any relevant laws, orders, regulations and guidelines.

Except the conditions in (iii) to (vii) which cannot be waived, the other conditions are waivable by the Purchaser. Such waivers shall give flexibility to the Company to continue to proceed to Completion if insignificant deviations are identified so as to avoid the Acquisition being called off due to such insignificant deviations. However, the Purchaser has no present intention to waive any such conditions. Nonetheless, the Directors will exercise their judgment in the best interests of the Company and the Shareholders as a whole in deciding whether to waive such conditions as and when appropriate. As at the Latest Practicable Date, the Company has not identified any material findings pursuant to the due diligence exercise. Conditions (iv), (v) and (vii) have been fulfilled as at the Latest Practicable Date.

If the aforementioned conditions are not fulfilled on or before noon of the last business day in February 2011 (i.e. 28 February 2011), the Acquisition Agreement shall lapse and no party to the Acquisition Agreement shall have any claim against or liability to the other party, save in respect of any antecedent breaches of the Acquisition Agreement.

Completion

Completion shall take place on or before 4:00 p.m. on the Completion Date. Upon Completion, the Targets will become indirect wholly owned subsidiaries of the Company.

OTHER AGREEMENTS RELEVANT TO THE ACQUISITION

Exclusive Agreements:

On 8 November 2010, Target A entered into each of the Exclusive Agreements with Bozhong and Fudan MCO, pursuant to which, inter alia, Bozhong and Fudan MCO had assigned to Target A the permanent Exclusive Rights respectively, and Fudan MCO had assigned to Target A the permanent Non-exclusive Rights, at a nominal consideration.

In addition, pursuant to the Exclusive Agreements, Bozhong and Fudan MCO will supply the Gene Testing to Target A and its associated companies at the price no less favorable than that being or will be offered to other distribution agents by Bozhong and Fudan MCO, whilst Bozhong will serve as a sub-distributor of Gene Testing in the PRC, Hong Kong and Macau for Target A and its associated companies at the same selling price as offered to the other sub-distributors of the Group. These Continuing Supplies and Distribution Arrangement will last for an initial period of 3 years commencing on the Completion Date, and subject to the Independent Shareholders' approval, be renewable by Target A for a further period of 3 years at each maturity date (including the maturity dates of any renewed period) by Target A at a nominal consideration.

Deed of gift:

With a view of strengthening the Group's ongoing research and development capacity for the Gene Testing upon the Completion, on 8 November 2010, Vendor A entered into a deed of gift with Target B pursuant to which Vendor A shall deliver to Target B at nil consideration the following information and documents in relation to Gene Testing:

(a) the four product design schemes for Human Diseases Susceptibility Gene Tests (inclusive of Classic v2008 series, Happy Life III series, Gene Tests for Single Disease series and Happy Family series); and

(b) technology and management system standards for laboratory of Vendor A (inclusive of technology standards, quality control manual, standard operation procedure ("SOP") for management, SOP for experiments).

INFORMATION ON THE TARGETS

According to the accountants' reports of the Targets prepared in accordance with the Hong Kong Financial Reporting Standards as set out in Appendices II and III to this circular, Target A and Target B had net assets of HK$8 and net liabilities of approximately HK$0.30 million respectively as at 30 June 2010. Further information of the Targets is set out below:

Target A:

Target A had no turnover and did not generate any net profit or incurred any loss (either before or after taxation) for each of the three years ended 30 June 2010.

Pursuant to certain agreements between China United and United Gene Health, China United, as the existing grantee of the worldwide exclusive right of distribution of Gene Testing, has been sub-granting United Gene Health an exclusive right to distribute Gene Testing in Hong Kong and a non-exclusive right to distribute Gene Testing in the PRC. Under these sub-grants of the distribution right of the Gene Testing, United Gene Health could distribute or appoint other parties to sub-distribute the Gene Testing in Hong Kong and the PRC respectively until 11 August 2013. United Gene Health has currently appointed certain independent distributors as the sub-distributors of the Gene Testing in Hong Kong and the PRC, which will continue to be in place after the Completion.

On 8 November 2010, China United and United Gene Health entered into a termination agreement for such sub-grants, which is conditional upon the Completion. Save for the HK$40 million of the non-interest bearing deposit under the sub-grants which will be repaid to United Gene Health by China United after the Completion, neither of the parties would be required to pay any compensation to the other party for such termination. Such HK$40 million of repayment of non-interest bearing deposit to United Gene Health will become internal resources of the Group.

On the same date, Bozhong and China United entered into an agreement to terminate the grant of worldwide exclusive right of distribution of Gene Testing to China United by Bozhong, which is also conditional upon the Completion.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, China United is a third party independent of the Company and connected persons of the Company.

Target A will own the Exclusive Rights and the right of use of UG Logo which are assignable to other companies in the Group after the Completion. As disclosed in the Valuation Report, the valuation of Target A (including the Exclusive Rights and right of use of UG Logo) as at 8 November 2010 was approximately HK$226 million.

The valuation of Target A was prepared and based on the discounted cash flows method and therefore constitutes a profit forecast (the "**Forecast**") under Rule 14.61 of the Listing Rules. The Directors confirm that they have made the Forecast after due and careful enquiry.

Target B:

	From 17 September 2009 (date of incorporation) to 30 June 2010 *(HK'000)*
Turnover	-
Loss before and after taxation	314

As at the Latest Practicable Date, Target B is operating a laboratory in Hong Kong which is capable of performing manufacturing, research and development of gene testing products and services.

REASONS FOR ENTERING INTO THE ACQUISITION AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in distribution of gene testing services and pharmaceutical products.

Through the acquisition of Target A, the Group would have acquired the exclusive distribution rights for the Gene Testing in the regions of the PRC, Hong Kong and Macau, the non-exclusive distribution rights for Gene Testing in other regions as well as the right of use of the UG Logo on Gene Testing distributed by the Group in the PRC, Hong Kong and Macau.

Moreover, as the purchase price of Gene Testing under the Exclusive Agreements is lower than that of the existing non-exclusive arrangement with China United, the Group would enjoy a higher profit margin in the business of gene testing distributions in the future whilst using the well-known UG Logo in the gene testing services.

The acquisition of Target B serves as an extension of research and development of gene testing products and services by the Group.

Upon the Completion, the risks and rewards of the exclusive distribution rights for the Gene Testing in the regions of the PRC, Hong Kong and Macau will be passed entirely to the Group. As such, further to the Consideration that the Group has committed to the Acquisition, the book value of these distribution rights will also be subject to annual impairment tests which may affect the profitability of the Group by way of impairment. However, given the substantial discount of the Consideration to the valuation of Target A as set out in the Valuation Report, the Directors consider that the aforementioned benefits of the Acquisition, the Continuing Supplies and the Distribution Arrangement would outweigh the disadvantages to the Group.

After taking into account the reasons for entering into the Acquisition Agreement as stated above, the Directors consider that the terms of the Acquisition Agreement are negotiated with the Vendors in good faith and on arm's length basis and the terms of the Acquisition Agreement including the Consideration, are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Assets and liabilities

Upon the Completion, each of Target A and Target B will become an indirect wholly owned subsidiary of the Company and with its accounts to be consolidated with that of the Group.

The Completion will result in an increase in the total assets and the total liabilities of the Group by approximately HK$454,000, details of which can be referred to in the unaudited pro forma statement of assets and liabilities of the Enlarged Group set out in Appendix IV of this circular. As the Targets will become an indirect wholly owned subsidiaries of the Company upon the Completion, their financial results will be consolidated with those of the Group.

Earnings

According to the financial information of the Targets disclosed in Appendices II and III, the loss after taxation of the Targets for the period ended 30 June 2010 was approximately HK$314,000.

The actual financial effects of the Acquisition on the Group may or may not be the same upon the Completion. Save as disclosed in this circular, the Completion will not result in any other material financial effects on the Group's total assets, total liabilities and earnings.

The Directors consider that the terms of the Acquisition Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

After the Completion, the Enlarged Group would obtain the exclusive distribution rights for the Gene Testing in the regions of Hong Kong, PRC and Macau, it would substantially increase the market share in the gene testing services, and it would serve an extension of research and development of gene testing products and services of the Enlarged Group. In view of its long-term development plans, the Enlarged Group will put equal weight to both the market preservation measures and the market development measures to be carried out in the gene testing business. In addition, the Enlarged Group would segment the market geographically and set up different policies and measures for further development, and the Enlarged Group would establish its marketing and distribution channels that may be managed by the Enlarged Group directly, so as to achieve a more sustainable and stable growth in the gene testing business. Moreover, as the purchase price of Gene Testing under the Exclusive Agreements is lower than that of the existing non-exclusive arrangement with China United, the Enlarged Group would enjoy a higher profit margin in the business of gene testing distributions in future.

Implication on the Listing Rules

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are more than 25% but less than 100%, the Acquisition constitutes a major transaction under the Listing Rules. Moreover, to the best of the Directors' knowledge and information, Dr. Mao, a substantial shareholder of the Company, is the ultimate beneficial owner of the Vendors. As such, the Acquisition also constitutes a non-exempted connected transaction under Chapter 14A of the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements. Accordingly, the Company will seek the Independent Shareholders' approval at the EGM by way of poll for the transactions contemplated under the Acquisition Agreement.

CONTINUING CONNECTED TRANSACTIONS

Introduction

Pursuant to the Exclusive Agreements, Bozhong and Fudan MCO will supply the Gene Testing to Target A and its associated companies on normal commercial terms on an ongoing basis. In addition, Bozhong will serve as a sub-distributor of Gene Testing for Target A and its associated companies.

As Target A will become an indirect wholly owned subsidiary of the Company, both the Continuing Supplies and the Distribution Arrangement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Annual Caps

The Board proposed that the Annual Caps A and Annual Caps B for the period commencing from the Completion Date and ending 30 June 2011, the financial years of the Group ending 30 June 2012 and 2013, and the period commencing on 1 July 2013 and ending on the 3rd anniversary date after the Completion Date are as follows:

	For the period commencing on the Completion Date and ending 30 June 2011	**For the financial year ending 30 June 2012**	**For the financial year ending 30 June 2013**	**For the period commencing on 1 July 2013 and ending on the 3rd anniversary date after the Completion Date**
	(HK'000)	*(HK'000)*	*(HK'000)*	*(HK'000)*
Annual Caps A	73,000	124,000	124,000	51,000
Annual Caps B	14,000	24,000	24,000	10,000

The Annual Caps A and Annual Caps B are determined based on (i) the projected sales of Gene Testing; (ii) the expected growth of gene testing market in Hong Kong, Macau and the PRC; and (iii) the historical sales arising out of the Group from distribution of gene testing services. The Continuing Supplies and the Distribution Arrangement will become effective upon the approval of the relevant resolutions by Independent Shareholders at the EGM and the Completion.

The Continuing Supplies will ensure stable supplies of Gene Testing by Bozhong and Fudan MCO to the Group, whilst the Group in turn, through the Distribution Arrangement, expects to derive higher sales of Gene Testing by leveraging Bozhong's regional connections to various customers.

The Directors consider that the entering into the Exclusive Agreements is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Implications on the Listing Rules

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules is 25% or more and the Annual Caps A and Annual Caps B exceed HK$10 million, the transactions contemplated under the Exclusive Agreements constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules. Accordingly, the Company will seek the Independent Shareholders' approval at the EGM by way of poll for the transactions contemplated under the Exclusive Agreements (including the Annual Caps A and Annual Caps B).

EGM

The EGM will be held on Wednesday, 8 December 2010 at 4:00 p.m. at Rooms No. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong, the notice of which is set out on pages EGM-1 and EGM-2 of this circular. At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, (1) Acquisition Agreement and the transactions contemplated thereunder and (2) Exclusive Agreements and the transactions contemplated thereunder.

In compliance with the Listing Rules, all resolutions will be voted on by way of a poll at the EGM. Any Shareholder and his/her associate with a material interest in the Acquisition, the Continuing Supplies or the Distribution Arrangement shall abstain from voting on the relevant resolutions. The Company has confirmed that Dr. Mao and his associates shall abstain from voting in favour of the relevant ordinary resolutions at the EGM in this regard.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the EGM to the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

RECOMMENDATION

The Directors are of the opinion that the terms of the Acquisition Agreement and the Exclusive Agreements are on normal commercial terms, fair and reasonable and that the Acquisition, the Continuing Supplies and the Distribution Arrangement are in the interests of the Company and the Shareholders as a whole. The Directors recommend the Independent Shareholders to vote in favour of the resolutions as set out in the notice of EGM to approve, among other things, the transactions contemplated under the Acquisition Agreement and Exclusive Agreements at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the "Letter from the Independent Board Committee", "Letter from the Independent Financial Adviser", notice of the EGM and additional information set out in the Appendices to this circular.

Yours faithfully,
By order of the Board
United Gene High-Tech Group Limited
Qin Yilong
Chairman

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)

22 November 2010

Dear Independent Shareholder(s),

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF ENTIRE EQUITY INTERESTS OF (1) FUDAN HEALTH (GUANG DONG) LTD. AND (2) FUDAN HEALTH INTERNATIONAL (HK) LIMITED

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 22 November 2010 issued by the Company to the Shareholders (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meaning when used in this letter, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Acquisition Agreement and the Exclusive Agreements are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Ample Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

Your attention is drawn to the Letter from the Independent Financial Adviser in the Circular containing the advice of the Independent Financial Adviser in respect of the Acquisition Agreement and the Exclusive Agreements.

RECOMMENDATION

We have considered the principal factors taken into account by the Independent Financial Adviser in arriving at its opinion in respect of the Acquisition Agreement and the Exclusive Agreements. We concur with the views of the Independent Financial Adviser that the Acquisition Agreement and the Exclusive Agreements are fair and reasonable so far as the

Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in respect of the Acquisition Agreement and the Exclusive Agreements.

Yours faithfully,
Independent Board Committee

Dr. Zhang Huiming	**Ms. Chen Weijun**	**Ms. Jiang Di**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

AmCap
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Hong Kong

22 November 2010

To the Independent Board Committee and
the Independent Shareholders of
United Gene High-Tech Group Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF ENTIRE EQUITY INTERESTS OF (1) FUDAN HEALTH (GUANG DONG) LTD. AND (2) FUDAN HEALTH INTERNATIONAL (HK) LIMITED

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the continuing connected transactions under the Continuing Supplies and Distribution Arrangement (the "**Continuing Connected Transactions**" and collectively with the Acquisition, the "**Transactions**") the particulars of which have been set out in a circular to the Shareholders dated 22 November 2010 (the "**Circular**") and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Circular.

Ample Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to give our recommendation as to whether the terms of the Acquisition and the Continuing Connected Transactions (including the Annual Caps A and Annual Caps B (collectively, the "**Annual Caps**")) are fair and reasonable so far as the Shareholders are concerned. Details of the reasons for the Transactions are set out in the section headed "Letter from the Board" in the Circular (the "**Board Letter**").

On 8 November 2010, the Purchaser, an indirect wholly owned subsidiary of the Company, and the Vendors entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell (i) the Sale Shares, representing the entire issued share capital of the Targets at the consideration of HK$78,000,000 in cash; and (ii) the Sale Loan after setting off the amount of net liabilities of Target B as at the Completion Date.

On 8 November 2010, Target A entered into each of the Exclusive Agreements with Bozhong and Fudan MCO, pursuant to which, inter alia, Bozhong and Fudan MCO had assigned to Target A the permanent Exclusive Rights respectively, and Fudan MCO had assigned to Target A the permanent Non-exclusive Rights, at a nominal consideration. Pursuant to the Exclusive Agreements, Bozhong and Fudan MCO will supply the Gene Testing to Target A and its associated companies on normal commercial terms on an ongoing basis. In addition, Bozhong will serve as a sub-distributor of Gene Testing for Target A and its associated companies in the PRC, Hong Kong and Macau.

The Company was incorporated in the Cayman Islands with limited liability which shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and its subsidiaries are principally engaged in distribution of gene testing services and pharmaceutical products.

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are more than 25% but less than 100%, the Acquisition constitutes a major transaction under the Listing Rules. Moreover, to the best of the Director's knowledge and information, Dr. Mao, a substantial shareholder of the Company, is the ultimate beneficial owner of the Vendors. As such the Acquisition also constitutes a non-exempted connected Transaction under Chapter 14A of the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements. Accordingly, the Company will seek the Independent Shareholders' approval at the EGM by way of poll for the transactions contemplated under the Acquisition Agreement.

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules is 25% or more and the Annual Caps exceed HK$10 million, the Exclusive Agreements and the transactions contemplated thereunder constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules. Accordingly, the Company will seek the Independent Shareholders' approval at the EGM by way of poll for the transactions contemplated under the Exclusive Agreements (including the Annual Caps).

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information supplied to us by the Company, the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Circular and the Forecast, and the Valuation Report of Target A compiled by Greater China Appraisal Limited ("**Greater China**") set out in Appendix V of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company including the Forecast, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Transactions and the Valuation Report.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in the Transactions, we have taken into consideration the following factors:

1. Background information on the Group

As mentioned earlier, the Group is principally engaged in the distribution of gene testing services and pharmaceutical products. Selected key financial information of the Group as extracted from the Company's annual report for the year ended 30 June 2010 (the "**Annual Report**") is set out below.

	Year ended 30 June	
	2010	**2009**
	HK$'000	*HK$'000*
	(audited)	(audited)
Revenue	483,947	374,442
Profit attributable to Shareholders	11,262	745,205
Total assets (as at period end)	526,682	140,239
Total liabilities (as at period end)	97,075	32,311
Net assets attributable to Shareholders (as at period end)	429,142	107,386

During the year ended 30 June 2010, the Group recorded revenue of approximately HK$483,947,000, representing an approximately 29.24% increase to the revenue of approximately HK$374,442,000 generated in the year ended 30 June 2009. As per the Annual Report, the Directors attribute the increase in revenue to the distribution of the gene testing services that commenced in the PRC in May 2009. Furthermore, the Group generated profit attributable to Shareholders of approximately HK$11,262,000 in the year ended 30 June 2010 compared with a profit attributable to Shareholders of approximately HK$745,205,000 during the year ended 30 June 2009, representing a decrease of approximately 98.49%. The Annual Report attribute such decrease to the release of a bank loan and other liabilities amounting to approximately HK$631.4 million pursuant to a scheme of arrangement which became effective on 18 July 2008 and the gain on deconsolidation of subsidiaries amounting to approximately HK$134.5 million (both of which are one-off in nature) during the year ended 30 June 2009.

As at 30 June 2010, the Group had total assets, total liabilities and net assets attributable to Shareholders of approximately HK$526,682,000, HK$97,075,000 and HK$429,142,000 respectively.

2. Information on the Targets

The Board Letter states that according to the accountants' report of the Targets prepared in accordance with the Hong Kong Financial Reporting Standards as set out in Appendices II and III to the Circular, Target A and Target B had net assets of HK$8 and net liabilities of approximately HK$0.30 million respectively as at 30 June 2010.

As per the accountants' report of Target A set out in Appendix II to the Circular, it had no turnover and did not generate any net profit or incurred any loss (either before or after taxation) for each of the three years ended 30 June 2010. Target A will own the Exclusive Rights and the right of use of UG Logo which are assignable to other companies in the Group after Completion. As disclosed in the Valuation Report, the valuation of Target A (including the Exclusive Rights and right of use of UG Logo) as at 8 November 2010 was approximately HK$226 million.

As per the accountants' report of Target B set out in Appendix III to the Circular, it generated nil turnover and loss before and after taxation of approximately HK$314,000 from 17 September 2009 (the date of incorporation) to 30 June 2010. As at the Latest Practicable Date, Target B is operating a laboratory in Hong Kong which is capable of performing manufacturing, research and development of gene testing products and services.

3. Reasons for entering into the Acquisition Agreement

As mentioned in the Board Letter, through the acquisition of Target A, the Group would have acquired the exclusive distribution rights for the Gene Testing in the regions of the PRC, Hong Kong and Macau, the non-exclusive distribution rights for Gene Testing in other regions as well as the right of use of the UG Logo on Gene Testing distributed by the Group in the PRC, Hong Kong and Macau. Moreover, as the purchase price of Gene Testing under the Exclusive Agreements is lower than that of the existing non-exclusive arrangement with China United, the Group would enjoy a higher profit margin in the business of gene testing distributions in the future whilst using the well known UG Logo in the gene testing services.

The Board Letter further states that the acquisition of Target B serves as an extension of research and development of gene testing products and services by the Group.

After taking into account the reasons for entering into the Acquisition Agreement as stated above, the Directors consider that the terms of the Acquisition Agreement are negotiated with the Vendors in good faith and on arm's length basis and the terms of the Acquisition Agreement, including the Consideration, are fair and reasonable and in the interests of the Shareholders as a whole.

In our discussions with the Group's management, we understand that the Gene Testing business to be taken up by Target A by way of the Exclusive Agreements is substantially the same as the existing gene testing business undertaken by the Group pursuant to the existing non-exclusive arrangement between China United, a company controlled by independent third parties, and United Gene Health, an indirect wholly-owned subsidiary of the Company. The Group's management has advised us that the principal benefit of the Acquisition over the existing arrangement is that the Group will gain the Exclusive Rights instead of the current non-exclusive arrangement, which would then allow the Group to enjoy lower purchase price of Gene Testing upon Completion as compared with the existing non-exclusive arrangement. The Group's management expects that the lower purchase price upon Completion would result in a positive impact on the Group's future profitability. Prior to resolving to proceed with the Acquisition, the Group's management had conducted preliminary internal discussions on the purchase of the production plants of the Gene Testing. But having considered that (i) the Group currently lacks the appropriate expertise and experience in the production of the Gene Testing which is possessed by Vendor A and Vendor B, the owners of Bozhong and Fudan MCO respectively; and (ii) the Group's competence is in the distribution of the Gene Testing, the Group's management currently holds the view that the Acquisition is expected to continue the synergies between the Vendors and the Group and at the same time allows the Group to enjoy cost savings and therefore higher future profitability.

In examining the rationale of the Group's management in support of the Acquisition, we have studied the Group's financial statements set out in the Annual Report and the Forecast for Target A prepared by the Group's management upon which the Valuation Report was based. We note from the segment information set out under note 9 to the financial statements in the Annual Report that substantially all of the Company's profit for the year ended 30 June 2010 was contributed by the Group's existing business in the distribution of gene testing services. From the Forecast, we note that (i) gross profit margin of Target A (with the Exclusive Rights and the associated lower purchase cost) is expected to be much higher than that of the Group's business in the distribution of gene testing services during the year ended 30 June 2010 under the existing non-exclusive arrangement; and (ii) Target A is expected to post profits that are significantly higher than what the Group has achieved with its business in the distribution of gene testing services during the year ended 30 June 2010 under the existing non-exclusive arrangement. We are of the view that in the event that that Target A's financial performance as forecasted in the Forecast (for which the Group's management is solely responsible) can indeed be achieved, the cost of the Acquisition, i.e. the Consideration, would be justified.

4. Terms of the Acquisition Agreement

4.1 The Consideration

The Consideration shall be the aggregate of HK$78,000,000 and the total set-off amount of net liabilities value of Target B and Sale Loan as at the Completion Date and shall be satisfied according to the following schedule:

(1) HK$78,000,000 shall be settled by the Purchaser within 10 business days after the Completion Date by way of telegraphic transfer; and

(2) the total set-off amount of net liabilities value of Target B and the Sale Loan as at the Completion Date, which is subject to a maximum amount of HK$2,200,000, shall be confirmed by Vendor B within 7 business days after the Completion Date and shall be settled by the Purchaser within 10 business days after the Completion Date.

As at 30 June 2010, there was a Sale Loan of HK$1.55 million. Pursuant to the Acquisition Agreement, Vendor B will transfer the full entitlement of such Sale Loan as at Completion Date without recourse to the Purchaser.

4.2 Basis of the Consideration

As mentioned in the Board Letter, the Consideration was agreed between the Purchaser and the Vendors after arm's length negotiations and on normal commercial terms by reference to the valuation of Target A (including the Exclusive Rights and right of use of UG Logo) as at 8 November 2010 and the net assets value of Target B based on its audited accounts as at 30 June 2010.

4.3 The Valuation Report and the Forecast

Set out in Appendix V to the Circular is the Valuation Report which was compiled by Greater China based on the Forecast. It is stated in the Valuation Report that it has been prepared by Greater China using the income approach. Having conducted work we consider necessary including reviewing the Valuation Report, having discussions with Greater China and conducting work pursuant to section 5.5 of the Corporate Finance Adviser Code of Conduct issued by the Securities and Futures Commission, we consider the bases and assumptions and the valuation methodology adopted in the Valuation Report are fair and reasonable. In addition, we have also reviewed the underlying Forecast and discussed with the Group's management on the bases and assumptions adopted in the Forecast. Having conducted the aforementioned work and taking into account the comfort letters on the Valuation Report issued by the Company's reporting accountants and financial advisers set out in Appendices VI and VII to the Circular respectively, we are of the view that the bases and assumptions adopted in the Forecast (for which the Group's management is solely responsible) are fair and reasonable.

We have conducted a search on the Stock Exchange website and apart from the Company itself, we did not identify another Hong Kong listed company undertaking a principal business which resembles the Gene Testing business, i.e. the distribution of diseases susceptibility gene testing services and the gene consultancy services products, to be conducted by Target A. We have also conducted a search on the internet and did not identify other directly comparable listed companies (with publicly available financial figures) engaged in the distribution of Gene Testing in the PRC, Hong Kong and Macau, i.e. the regions covered under the Exclusive Rights. In our discussions with the Group's management, it has advised us that based on its best knowledge, there is no other listed companies engaged in the distribution of Gene Testing in the PRC, Hong Kong and Macau. Having considered that (i) the Gene Testing business to be taken up by Target A is unique and specialized and apart from the Company itself, no direct comparable has been identified; and (ii) the Targets have not commenced commercial operations which would provide meaningful historical financial figures for comparative analysis, we consider that the adoption of the Valuation Report as a reference in the determination of the Consideration is appropriate.

In the Valuation Report, the appraised value of Target A as at 8 November 2010 is HK$226,000,000 (the "**Appraised Value**"). It is noted that the consideration of HK$78,000,000 for Target A payable to Vendor A is at an approximately 65.49% discount to the Appraised Value. Furthermore, we note that the consideration for the Sale Loan after setting off the amount of net liabilities of Target B as at the Completion Date represents the fair value of the Sale Loan to the Purchaser after deducting the net liabilities of Target B.

4.4 Conclusion regarding the Acquisition Agreement

Having considered the factors discussed above, we are of the view that (i) the terms of the Acquisition (including the Consideration) are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the Acquisition is on normal commercial terms.

5. The Continuing Connected Transactions

5.1 Terms of the Continuing Connected Transactions

It is stated in the Board Letter that on 8 November 2010, Target A entered into each of the Exclusive Agreements with Bozhong and Fudan MCO, pursuant to which, inter alia, Bozhong and Fudan MCO had assigned to Target A the permanent Exclusive Rights respectively, and Fudan MCO had assigned to Target A the permanent Non-exclusive Rights, at a nominal consideration.

Pursuant to the Exclusive Agreements, Bozhong and Fudan MCO will supply the Gene Testing to Target A and its associated companies on normal commercial terms on an ongoing basis. In addition, Bozhong will serve as a sub-distributor of Gene Testing for Target A and its associated companies in the PRC, Hong Kong and Macau.

It is further stated in the Board Letter that pursuant to the Exclusive Agreements, Bozhong and Fudan MCO will supply the Gene Testing to Target A and its associated companies at the price no less favorable than that being or will be offered to other distribution agents by Bozhong and Fudan MCO, whilst Bozhong will serve as a sub-distributor of Gene Testing in the PRC, Hong Kong and Macau for Target A and its associated companies at the same selling price as offered to the other sub-distributors of the Group.

These Continuing Supplies and Distribution Arrangement will last for an initial period of 3 years commencing on the Completion Date, and subject to the Independent Shareholders' approval, be renewable by Target A for a further period of 3 years at each maturity date (including the maturity dates of any renewed period) by Target A at a nominal consideration. It is noted that 3-year term of such transactions is in compliance with Rule 14A.35(1) of the Listing Rules.

The Board Letter further states that the Continuing Supplies will ensure stable supplies of Gene Testing by Bozhong and Fudan MCO to the Group, whilst the Group in turn, through the Distribution Arrangement, expects to derive higher sales of Gene Testing by leveraging Bozhong's regional connections to various customers.

It is stated in the Board Letter that the Directors consider that the entering into the Exclusive Agreements is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

As mentioned earlier in section 4.3 of this letter, the Gene Testing business is unique and specialized, and we are unable to obtain relevant pricing information of similar service in the public domain for comparison. In assessing the fairness and reasonableness of the pricing in the supply of Gene Testing to Target A and Bozhong's sub-distribution of Gene Testing, we note that pursuant to the Exclusive Agreements, the pricing will be no less favourable than that offered to independent third parties. It is noted that Target A will be granted the Exclusive Rights in respect of the distribution of the Gene Testing in the PRC, Hong Kong and Macau. As advised by the Group's management, the pricing under the Continuing Supplies, which will be no less favourable than that offered to independent third parties, will be determined with reference to (i) the pricing charged by Bozhong to China United, the existing grantee of the exclusive worldwide distributorship right of Gene Testing by Bozhong; and (ii) other distributor(s) which may be appointed by Bozhong in the future for regions outside of the PRC, Hong Kong and Macau. The Group's management has further advised that the pricing under the Distribution Arrangement which will be no less favourable than that offered to independent third parties, will be determined with reference to the pricing charged by the Group to its existing sub-distributors.

Having considered the factors mentioned above and in particular (i) the Continuing Connected Transactions will be conducted in the Group's ordinary and usual course of business of the Group; (ii) the Continuing Connected Transactions are of a revenue nature; (iii) the pricing under the Continuing Connected Transactions are required to be no less favourable than that offered to independent third parties pursuant to the Exclusive Agreements; (iv) the Continuing Connected Transactions facilitates the Group's business in distribution of the Gene Testing and the lower purchase price pursuant to the Exclusive Rights as discussed in section 3 of this letter; and (v) the Continuing Connected Transactions are subject to annual review by the independent non-executive Directors and the Company's auditors pursuant to Rules 14A.37 and 14A.38 of the Listing Rules, we are of the view that (i) the terms of the Continuing Connected Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the Continuing Connected Transactions are on normal commercial terms.

5.2 The Annual Caps

The Board proposed that the Annual Caps A (in respect of the continuing connected transaction under the Continuing Supplies) and Annual Caps B (in respect of the continuing connected transaction under the Distribution Arrangement) for the period commencing from the Completion Date and ending 30 June 2011, the financial years of the Group ending 30 June 2012 and 2013, and the period commencing on 1 July 2013 and ending on the 3rd anniversary date after Completion Date are as follows:

	For the period commencing on the Completion Date and ending 30 June 2011	**For the financial year ending 30 June 2012**	**For the financial year ending 30 June 2013**	**For the period commencing on 1 July 2013 and ending on the 3rd anniversary date after the Completion Date**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Annual Caps A	73,000	124,000	124,000	51,000
Annual Caps B	14,000	24,000	24,000	10,000

As per the Board Letter, the Annual Caps are determined based on (i) the projected sales of Gene Testing; (ii) the expected growth of gene testing market in Hong Kong, Macau and the PRC; and (iii) the historical sales arising out of the Group from the distribution of gene testing services.

To assess the fairness and reasonableness of the Annual Caps, we examined the projected sales of Gene Testing compiled by the Group's management, and discussed with the Group's management on the basis, assumptions and underlying figures adopted in the projection and the factors considered by the Group's management. Since the Continuing Connected Transactions will be conducted in the Group's ordinary and usual course of business and would represent a crucial business segment of the Group upon Completion, we consider that it is reasonable for the Group to set the Annual Caps at a level which can sufficiently cover the Group's projections. Otherwise, it would be unduly burdensome for the Group to seek for approval of the revised annual caps in the event that the Annual Caps are exceeded. Having considered the above, we are of the opinion that the Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

6. Financial effects of the Acquisition

6.1 Earnings

The Annual Report has stated that the Group recorded profit attributable to Shareholders of approximately HK$11,262,000 during the year ended 30 June 2010. As stated in the accountants' reports set out in Appendices II and III to the Circular, Target A and Target B recorded nil profit or loss for the year ended 30 June 2010 and loss of approximately HK$314,000 from 17 September 2009 (date of incorporation) to 30 June 2010 respectively. As previously mentioned, the Targets have not commenced commercial operations. As the Gene Testing business to be taken up by Target A by way of the Exclusive Agreements is substantially the same as the existing gene testing business undertaken by the Group pursuant to the existing non-exclusive arrangement between China United, it is expected that the lower purchasing price of Gene Testing under the Exclusive Rights as discussed in section 3 of this letter will allow the Group to enjoy higher profitability after Completion.

6.2 Net assets value

As per the "Unaudited pro forma statement of assets and liabilities of the Enlarged Group" set out in Appendix IV to the Circular (the "**Pro Forma Financial Information**"), the Group had net assets of approximately HK$429,607,000 as at 30 June 2010. After adjustments made for the Acquisition, the pro forma net assets of the Enlarged Group would remain at HK$429,607,000. Although Completion is not expected to bring any immediate material impact on the Enlarged Group's net assets, the Acquisition is expected to enhance the Enlarged Group's net assets in the long term if the expected higher profitability mentioned in section 6.1 above indeed materializes.

6.3 Gearing

According to the Pro Forma Financial Information, the Group did not have any debt as at 30 June 2010. After pro forma adjustments made for the Acquisition, the Enlarged Group would remain to be debt free (save for the Sale Loan which would be eliminated upon group consolidation). Accordingly, the Acquisition is not expected to have any material impact on the Group's gearing position.

6.4 Liquidity

As stated in the Pro Forma Financial Information, the Group had current assets and current liabilities of approximately HK$449,367,000 and HK$97,075,000 respectively as at 30 June 2010, translating into a current ratio (current assets/current liabilities) 4.63. After adjustments made for the Acquisition, the Enlarged Group would have pro forma current assets and pro forma current liabilities of approximately HK$370,667,000 and HK$97,529,000 respectively, translating into a pro forma current ratio of approximately 3.80 which represents a decrease of approximately 17.93%. Although the cash payment of the Consideration and the relative insignificance of the assets and liabilities of the Targets have contributed to the decrease in liquidity upon Completion, we consider that a current ratio of 1 or above generally indicates that the relevant company is in a healthy financial position as it indicates that the company's current assets are supposed to be able to cover the obligations arising out of the current liabilities as they become due.

It should be noted that the aforementioned analysis is for illustrative purposes only and do not purport to represent how the financial position of the Enlarged Group will be upon Completion.

CONCLUSION

Having considered the above principal factors, we are of the opinion that the terms of the Acquisition (including the Consideration) and the Continuing Connected Transactions (including the Annual Caps) are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, we consider that the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the Transactions at the EGM.

Yours faithfully,
For and on behalf of
Ample Capital Limited
H. W. Tang
President

Yours faithfully,
For and on behalf of
Ample Capital Limited
Kevin So
Vice President

1. FINANCIAL SUMMARY

Set out below is a summary of the audited financial information of the Group for the 3 years ended 30 June 2010 extracted from the relevant annual reports of the Company.

	For the years ended 30 June		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
RESULTS			
Turnover	483,947	374,442	317,041
Profit/(Loss) before tax	13,308	746,331	(68,546)
Income tax expenses	(2,132)	(1,090)	(33)
Profit/(loss) for the year	11,176	745,241	(68,579)
Attributable to:			
Equity holders of the Company	11,262	745,205	(68,621)
Non-controlling interests	(86)	36	42
	11,176	745,241	(68,579)

	As at 30 June		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets	77,315	41,718	34,751
Current assets	449,367	98,521	18,764
Current liabilities	(97,075)	(32,311)	(840,555)
Non-current liabilities	–	–	(1,430)
Net assets/(liabilities)	429,607	107,928	(788,470)
Attributable to:			
Equity holders of the Company	429,142	107,386	(788,976)
Non-controlling interests	465	542	506
Total equity	429,607	107,928	(788,470)

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP

The audited financial statements of the Group for the year ended 30 June 2010, together with the accompanying notes to the financial statements, have been included in pages 26 to 69 of the Company's annual report 2010 published on 29 September 2010. Shareholders can assess the Company's annual report 2010 on the Stock Exchange website (www.hkex.com.hk) and on the websites of the Company at www.unitedgenegroup.com and www.irasia.com/listco/hk/unitedgene.

3. STATEMENT OF INDEBTEDNESS

As at 30 September 2010, the latest practicable date for the purpose of the statement of indebtedness, the Enlarged Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account its internally generated funds of the Enlarged Group and the funds had been raised from the Company's rights issue which became unconditional on 18 May 2010, and upon the Completion, the Enlarged Group have sufficient working capital for its present requirements in the next twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

Up to and including the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial or trading position of the Enlarged Group since 30 June 2010, being the date to which the latest published audited financial statements of the Group were made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGETS

Target A:

Financial and business review

Target A is incorporated in the BVI. Target A is inactive during the years ended 30 June 2008, 30 June 2009 and 30 June 2010.

Financial resources and liquidity

Target A did not have any operations for the years ended 30 June 2008, 30 June 2009 and 30 June 2010. No bank borrowing was obtained for the years ended 30 June 2008, 30 June 2009 and 30 June 2010.

Capital structure

There was no change in the capital structure of Target A for the years ended 30 June 2008, 30 June 2009 and 30 June 2010.

Capital commitments

As at 30 June 2008, 30 June 2009 and 30 June 2010, there were no material capital commitments.

Significant investments

There was no significant investment held by Target A during the years ended 30 June 2008, 30 June 2009 and 30 June 2010.

Analysis of segmental information

No further information for the business or geographical segment analysis of as Target A was inactive during the years ended 30 June 2008, 30 June 2009 and 30 June 2010.

Employees and staff policy

During the years ended 30 June 2008, 30 June 2009 and 30 June 2010, Target A had not employed any workforce. Target A would launch remuneration policy in line with the prevailing market practice including discretionary year-end bonus and remunerates based on its employees performance and contribution.

Charges on the assets

As at 30 June 2008, 30 June 2009 and 30 June 2010, no assets of Target A were pledged.

Future plans for material investments or capital assets

As at 30 June 2008, 30 June 2009 and 30 June 2010, Target A had no plans for material investments or capital assets.

Gearing ratio

As at 30 June 2008, 30 June 2009 and 30 June 2010, Target A did not have any long-term liabilities and thus no gearing ratio was determined.

Foreign exchange exposure

As most of the monetary assets and liabilities of Target A are denominated in Hong Kong dollars and Target A conducts its business transactions in Hong Kong dollars, the foreign currency risk of Target A is not significant.

Contingent liabilities

As at 30 June 2008, 30 June 2009 and 30 June 2010, there was no material contingent liabilities.

Target B:

Financial and business review

Target B is incorporated in the Hong Kong. Target B is inactive and it was incurred the loss before and after taxation of approximately HK$314,000 for the period from 17 September 2009 (date of incorporation) to 30 June 2010.

Financial resources and liquidity

Target B generally financed its operations from the issuing of share capital and the loan of the shareholder. As at 30 June 2010, Target B had bank and cash balances of approximately HK$151,000. No bank borrowing was obtained for the period ended 30 June 2010.

The ratio of current assets to current liabilities of Target B was 0.27 as at 30 June 2010, the ratio is lower than 1 as the shareholder's loan of HK$1,555,000 was included in the current liabilities.

Capital structure

On incorporation, Target B was issued 10,000 ordinary shares of HK$1 each for cash at par to the subscribers for raising the initial working capital.

Capital commitments

As at 30 June 2010, there were no material capital commitments.

Significant investments

There was no significant investment held by Target B during the period ended 30 June 2010.

Analysis of segmental information

No further information for the business or geographical segment analysis of as Target B was inactive during the period ended 30 June 2010.

Employees and staff policy

As at 30 June 2010, Target B had 4 full-time employees to operate in the laboratory. Target B would use the remuneration policy in line with the prevailing market practice including discretionary year-end bonuses and remunerates based on its employees' individual performance and contribution. Total staff cost amounted to HK$95,651 for the period from 17 September 2009 (date of incorporation) to 30 June 2010.

Charges on the assets

As at 30 June 2010, no assets of Target B were pledged.

Future plans for material investments or capital assets

As at 30 June 2010, Target B had no plans for material investments or capital assets.

Gearing ratio

As at 30 June 2010, Target B did not have any long-term liabilities except the shareholder's loan and thus no gearing ratio was determined.

Foreign exchange exposure

As most of the monetary assets and liabilities of Target B are denominated in Hong Kong dollars and Target B conducts its business transactions in Hong Kong dollars, the foreign currency risk of Target B is not significant.

Contingent liabilities

As at 30 June 2010, there was no material contingent liabilities.

安達會計師事務所
ANDA CERTIFIED PUBLIC ACCOUNTANTS

22 November 2010

The Board of Directors
United Gene High-Tech Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Fudan Health (Guang Dong) Ltd. (the "Target A") for each of the three years ended 30 June 2010 (the "Relevant Periods") for inclusion in the circular dated 22 November 2010 issued by United Gene High-Tech Group Limited (the "Company") in connection with the proposed acquisition of 100% equity interests in Fudan Health (Guang Dong) Ltd. and Fudan Health International (HK) Limited (the "Circular").

The Target A was incorporated on 23 June 2005 in the British Virgin Islands with limited liability and engages in investment holding.

No audited financial statements of the Target A have been prepared for the Relevant Periods as there is no statutory audit requirement in the country of its incorporation.

For the purpose of this report, the sole director of the Target A has prepared the financial statements of the Target A for the Relevant Periods (the "HKFRS Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared from the HKFRS Financial Statements in accordance with HKFRSs. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Circular.

The sole director of the Target A is responsible for the preparation of the HKFRS Financial Statements. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the HKFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target A as at 30 June 2008, 2009 and 2010 and of the results and cash flows of the Target A for the Relevant Periods.

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 30 June		
		2010	2009	2008
	Notes	*HK$*	*HK$*	*HK$*
Turnover	*4*	–	–	–
Profit before tax		–	–	–
Income tax expense	*5*	–	–	–
Profit for the year		–	–	–
Other comprehensive income, net of tax		–	–	–
Total comprehensive income for the year		–	–	–

STATEMENTS OF FINANCIAL POSITION

		As at 30 June		
		2010	**2009**	**2008**
	Notes	*HK$*	*HK$*	*HK$*
Current assets				
Bank and cash balances		8	8	8
		8	8	8
NET ASSETS		8	8	8
Capital and reserves				
Share capital	*7*	8	8	8
Reserves		–	–	–
TOTAL EQUITY		8	8	8

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained profits	Total
	HK$	*HK$*	*HK$*
At 1 July 2007	8	–	8
Total comprehensive income for the year	–	–	–
At 30 June 2008	8	–	8
Total comprehensive income for the year	–	–	–
At 30 June 2009	8	–	8
Total comprehensive income for the year	–	–	–
At 30 June 2010	8	–	8

STATEMENTS OF CASH FLOWS

	Year ended 30 June		
	2010	**2009**	**2008**
	HK$	*HK$*	*HK$*
Cash flows from operating activities			
Profit before tax	–	–	–
Net cash generated from operating activities	–	–	–
Net increase in cash and cash equivalents	–	–	–
Cash and cash equivalents at beginning of year	8	8	8
Cash and cash equivalents at end of year	8	8	8
Analysis of cash and cash equivalents			
Bank and cash balances	8	8	8

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target A was incorporated in the British Virgin Islands on 23 June 2005 as a limited liability company. It is a subsidiary of United Gene Health Group Ltd., a company incorporated in the British Virgin Islands. The sole director considers that United Gene Holdings Limited, a company incorporated in the British Virgin Islands, to be the Target A's ultimate holding company at 30 June 2010. The address of its registered office and principal place of business is at Sea Meadow House, Blackburne Highway, Road Town, Tortola, British Virgin Islands.

The Target A remained dormant during the Relevant Periods.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. In addition, the Financial Information includes applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Financial Information has been prepared under the historical cost convention.

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Target A has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2009.

The Target A has not applied the new HKFRSs that have been issued but are not yet effective. The Target A 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.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Target A operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars, which is the Target A's functional and presentation currency.

b) Transactions and balances in financial statements

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

Recognition and derecognition of financial instruments

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

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

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

Cash and cash equivalents

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

Equity instruments

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

Revenue recognition

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

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

Taxation

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

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

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

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

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

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

Related parties

A party is related to the Target A if:

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

b) the party is an associate;

c) the party is a joint venture;

d) the party is a member of the key management personnel of the Target A or its parent;

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

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

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

Provisions and contingent liabilities

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

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

Events after the reporting period

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

3. FINANCIAL RISK MANAGEMENT

The Target A's is exposed to liquidity risk and market risk arising in the normal course of its business and from the financial instruments. The Target A's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

a) Foreign currency risk

The Target A does not have any significant financial instruments or transactions denominated in foreign currency. The management considers the Target A's exposure to such currency risk is limited. No sensitivity analysis is prepared as the fluctuation and impact is considered immaterial.

b) Liquidity risk

In the management of the liquidity risk, financing from the sole shareholder has been arranged in order to fund any emergency liquidity requirements.

c) Interest rate risk

The Target A does not have any significant interest bearing financial instruments or transactions. The management considers the Target A's exposure to such interest rate risk is limited. No sensitivity analysis is prepared as the fluctuation and impact is considered immaterial.

d) Fair values

The carrying amounts of the Target A's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

4. TURNOVER

No turnover was generated as the Target A was dormant during the Relevant Periods.

5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the Financial Information as the Target A did not have any assessable income for the Relevant Periods.

As there were no deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases, no deferred tax is provided.

6. DIRECTORS' REMUNERATION

The sole director of the Target A did not receive any fees or emoluments in respect of his services to the Target A during the Relevant Periods.

7. SHARE CAPITAL

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

	As at 30 June		
	2010	**2009**	**2008**
	HK$	*HK$*	*HK$*
Authorized:			
50,000 ordinary shares of US$1.00 each	390,000	390,000	390,000
Issued and fully paid:			
1 ordinary share of US$1.00	8	8	8

8. CAPITAL COMMITMENTS

There was no material capital commitments as at the end of the reporting period.

9. RELATED PARTY TRANSACTIONS

The administrative expenses of approximately HK$5,000 for each of the three years ended 30 June 2010 was borne by the holding company.

10. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 8 November 2010, Target A entered into certain conditional agreements with each of 上海博仲生物技術有限公司 (for identification purpose, Shanghai Bozhong Biotechnology Co. Ltd.) and Fudan Health International (MCO) Limited. Pursuant to the agreements, inter alia, Target A was assigned with certain exclusive and non-exclusive rights of distributing the gene testing, at a nominal consideration. Further details of this event were set out in the Company's announcement dated 8 November 2010 published on the Stock Exchange website (www.hkex.com.hk) and on the websites of the Company at www.unitedgenegroup.com and www.irasia.com/listco/hk/unitedgene.

11. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target A in respect of any period subsequent to 30 June 2010.

Anda Certified Public Accountants

Hong Kong, 22 November 2010

安達會計師事務所
ANDA CERTIFIED PUBLIC ACCOUNTANTS

22 November 2010

The Board of Directors
United Gene High-Tech Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Fudan Health International (HK) Limited (the "Target B") for the period from 17 September 2009 (date of incorporation) to 30 June 2010 (the "Relevant Period") for inclusion in the circular dated 22 November 2010 issued by United Gene High-Tech Group Limited (the "Company") in connection with the proposed acquisition of 100% equity interests in Fudan Health (Guang Dong) Ltd. and Fudan Health International (HK) Limited (the "Circular").

The Target B was incorporated on 17 September 2009 in Hong Kong with limited liability and is engaged in the provision of gene testing services.

No audited financial statements of the Target B have been prepared for the Relevant Period.

For the purpose of this report, the directors of the Target B have prepared the financial statements of the Target B for the Relevant Period (the "HKFRS Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared from the HKFRS Financial Statements in accordance with HKFRSs. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Circular.

The directors of the Target B are responsible for the preparation of the HKFRS Financial Statements. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the HKFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target B as at 30 June 2010 and of the results and cash flows of the Target B for the Relevant Period.

Without qualifying our opinion, we draw your attention to note 2 to the Financial Information which mentions that the Target B incurred a loss of HK$313,627 for the Relevant Period and as at 30 June 2010 the Target B had net liabilities of HK$303,627. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Target B's ability to continue as a going concern. The Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support of the sole shareholder, at a level sufficient to finance the working capital requirements of the Target B. The Financial Information does not include any adjustments that would result from the failure to obtain the financial support. We consider that the material uncertainty has been adequately disclosed in the Financial Information.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	**17/9/2009 (date of incorporation) to 30/6/2010** *HK$*
Turnover	*6*	–
Cost of services provided		–
Gross profit		–
Administrative and other operating expenses		(313,627)
Loss from operations		(313,627)
Income tax expense	*7*	–
Loss and total comprehensive loss for the period	*9*	(313,627)

STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2010 HK$
Non-current assets		
Property, plant and equipment	*10*	1,153,854
		1,153,854
Current assets		
Inventories	*11*	90,527
Prepayments, deposits and other receivables		310,249
Bank and cash balances		150,808
		551,584
Current liabilities		
Accruals and other payables		454,065
Shareholder's loan	*12*	1,555,000
		2,009,065
Net current liabilities		(1,457,481)
Total assets less current liabilities		(303,627)
NET LIABILITIES		(303,627)
Capital and reserves		
Share capital	*14*	10,000
Reserves		(313,627)
TOTAL EQUITY		(303,627)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	HK$	*HK$*	*HK$*
Total comprehensive loss for the period	–	(313,627)	(313,627)
Issue of share capital	10,000	–	10,000
At 30 June 2010	10,000	(313,627)	(303,627)

STATEMENT OF CASH FLOWS

	17/9/2009 (date of incorporation) to 30/6/2010
	HK$
Cash flows from operating activities	
Loss before tax	(313,627)
Adjustments for:	
Depreciation	40,264
Operating cash flows before working capital changes	(273,363)
Change in inventories	(90,527)
Change in prepayments, deposits and other receivables	(310,249)
Change in accruals and other payables	454,065
Net cash used in operating activities	(220,074)
Cash flows from investing activities	
Purchase of property, plant and equipment	(1,194,118)
Net cash used in investing activities	(1,194,118)
Cash flows from financing activities	
Proceeds from issuance of share capital	10,000
Loan from a shareholder	1,555,000
Net cash generated from financing activities	1,565,000
Net increase in cash and cash equivalents	150,808
Cash and cash equivalents at beginning of period	–
Cash and cash equivalents at end of period	150,808
Analysis of cash and cash equivalents	
Bank and cash balances	150,808

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target B was incorporated in Hong Kong on 17 September 2009 as a limited liability company and is wholly owned by Dr. Mao Yumin, who is the controlling shareholder of United Gene High-Tech Group Limited. The address of its registered office is Unit A, 11/F., On Loong Commercial Building, 276-278 Lockhart Road, Wanchai, Hong Kong and its principal place of business is Unit 709C of the 7th Floor of Bio-Informatics Centre, Phase One, Hong Kong Science Park, Pak Shek Kok, Tai Po, New Territories, Hong Kong.

The Target B is principally engaged in the provision of gene testing services.

2. GOING CONCERN BASIS

The Target B incurred a loss of HK$313,627 for the period ended 30 June 2010 and as at 30 June 2010 the Target B had net liabilities of HK$303,627. The Financial Information has been prepared on a going concern basis because the sole shareholder has agreed to provide financial support at a level sufficient to finance the working capital requirements of the Target B.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. In addition, the Financial Information includes applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Financial Information has been prepared under the historical cost convention.

For the purpose of preparing and presenting the Financial Information for the Relevant Period, the Target B has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 17 September 2009.

The Target B has not applied the new HKFRSs that have been issued but are not yet effective. The Target B 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.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

Foreign currency translation

a) *Functional and presentation currency*

Items included in the Financial Information are measured using the currency of the primary economic environment in which the Target B operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars, which is the Target B's functional and presentation currency.

b) *Transactions and balances in financial statements*

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

Property, plant and equipment

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

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

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

Computer equipment	20% – 33%
Furniture and equipment	10% – 20%
Plant and machinery	10% – 20%

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

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

Operating leases

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to its present location and condition, is calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Recognition and derecognition of financial instruments

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

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

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

Trade and other receivables

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

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Trade and other payables

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

Equity instruments

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

Revenue recognition

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

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

Employee benefits

Employee leave entitlements: Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

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

Termination benefits: Termination benefits are recognised when, and only when, the Target B demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Taxation

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

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

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

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

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

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

Impairment of assets

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

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Provisions and contingent liabilities

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

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

Events after the reporting period

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

4. KEY ESTIMATES

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

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

Allowance for slow-moving inventories: Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT

The Target B's is exposed to liquidity risk and market risk arising in the normal course of its business and from the financial instruments. The Target B's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

a) Foreign currency risk

The Target B does not have any significant financial instruments or transactions denominated in foreign currency. The management considers the Target B's exposure to currency risk is limited. No sensitivity analysis is prepared as the fluctuation and impact is considered immaterial.

b) Credit risk

The carrying amount of the cash and bank balances and other receivables included in the statement of financial position represents the Target B's maximum exposure to credit risk in relation to the Target B's financial assets.

The Target B has no significant concentrations of credit risk.

c) Liquidity risk

In the management of the liquidity risk, financing from the sole shareholder has been arranged in order to fund any emergency liquidity requirements.

d) Fair values

The carrying amounts of the Target B's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

6. TURNOVER

No transactions were concluded to generate any service income during the Relevant Period.

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the Financial Information as the Target B did not have any assessable income for the Relevant Period.

8. DIRECTORS' REMUNERATION

The directors of the Target B did not receive any fees or emoluments in respect of their services to the Target B during the Relevant Period.

9. LOSS FOR THE PERIOD

The Target B's loss for the period is stated after charging the following:

	HK$
Depreciation	40,264
Directors' emoluments	–
Net exchange losses	1,181
Operating lease charges on land and buildings	80,675
Staff costs including directors' emoluments	
Salaries, bonus and allowances	91,693
Retirement benefits scheme contributions	3,958
	95,651

10. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment *HK$*	**Furniture and equipment** *HK$*	**Plant and machinery** *HK$*	**Total** *HK$*
Cost				
Additions and at 30 June 2010	24,645	20,649	1,148,824	1,194,118
Accumulated depreciation				
Charge for the period and at 30 June 2010	1,322	647	38,295	40,264
Carrying amount				
At 30 June 2010	23,323	20,002	1,110,529	1,153,854

11. INVENTORIES

	HK$
Consumable stores of laboratory	90,527

12. SHAREHOLDER'S LOAN

The advance is unsecured, non-interest bearing and has no fixed repayment terms.

13. DEFERRED TAX

No deferred tax asset has been recognised in respect of the net unused tax losses due to the unpredictability of future profit streams.

14. SHARE CAPITAL

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

	As at 30 June 2010
	HK$
Authorized, issued and fully paid:	
10,000 ordinary shares of HK$1.00 each	10,000

The Target B was incorporated with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each. On incorporation, 10,000 ordinary shares of HK$1 each were issued for cash at par to the subscribers for raising initial working capital.

15. CAPITAL COMMITMENTS

There was no material capital commitments at the end of the reporting period.

16. LEASE COMMITMENTS

The Company as lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	HK$
Within one year	427,104
In the second to fifth years inclusive	773,533
	1,200,637

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

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 6 September 2010, the entire issued share capital of the Target B was transferred to Fudan Health International Limited, a company incorporated in the British Virgin Islands, at the consideration of HK$10,000. On the same date, the total shareholder's loan of HK$2,195,000, comprising HK$1,555,000 as included in the statement of financial position as at 30 June 2010 and further advancement of HK$640,000 up to 6 September 2010, was assigned to Fudan Health International Limited at the consideration of HK$1.

18. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target B in respect of any period subsequent to 30 June 2010.

Anda Certified Public Accountants
Hong Kong, 22 November 2010

安達會計師事務所
ANDA CERTIFIED PUBLIC ACCOUNTANTS

22 November 2010

The Board of Directors
United Gene High-Tech Group Limited
Rooms No. 1405-1406, Harbour Centre
No. 25 Harbour Road, Wanchai
Hong Kong

Dear Sirs,

We report on the unaudited pro forma statement of assets and liabilities (the "Statement") of United Gene High-Tech Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed acquisition of the 100% interests in Fudan Health (Guang Dong) Ltd. and Fudan Health International (HK) Limited might have affected the assets and liabilities of the Group presented, for inclusion in Appendix IV to the circular of the Company dated 22 November 2010 (the "Circular"). The basis of preparation of the Statement is set out on page IV-3 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

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

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

Basis of opinion

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

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

The Statement is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or at any future date.

Opinion

In our opinion:

(a) the Statement has been properly compiled by the directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ANDA Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the "Statement") has been prepared to illustrate the effect of the Acquisition, assuming the transaction had been completed as at 30 June 2010, might have affected the financial position of the Group.

The Statement is prepared based on the audited consolidated statement of financial position of the Group as at 30 June 2010 as extracted from the annual report of the Group for the year ended 30 June 2010 and the audited statements of financial position of Fudan Health (Guang Dong) Ltd. and Fudan Health International (HK) Limited as at 30 June 2010 as extracted from the Accountants' Reports set out in Appendices II and III to the circular after making certain proforma adjustments resulting from the Acquisition.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually completed on 30 June 2010. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I to the circular, the financial information of Fudan Health (Guang Dong) Ltd. and Fudan Health International (HK) Limited as set out in Appendices II and III to the circular and other financial information included elsewhere in the circular.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

	The Group *HK$'000*	Target A *HK$'000*	Target B *HK$'000*	Total *HK$'000*	Adjustment *HK$'000*	*Note*	Adjusted Balance *HK$'000*
Non-current assets							
Property, plant and equipment	2,115	–	1,154	3,269	–		3,269
Intangible assets	–	–	–	–	78,000	*1*	78,000
Prepayments, deposits and other receivables	75,200	–	–	75,200	–		75,200
	77,315	–	1,154	78,469	78,000		156,469
Current assets							
Inventories	569	–	90	659	–		659
Prepayments, deposits and other receivables	5,148	–	310	5,458	–		5,458
Trade receivables	99,426	–	–	99,426	–		99,426
Bank and cash balances	344,224	–	151	344,375	(78,000)	*1*	265,124
					(1,251)	*2*	
	449,367	–	551	449,918	(79,251)		370,667
Current liabilities							
Trade payables	87,077	–	–	87,077	–		87,077
Accruals and other payables	7,257	–	454	7,711	–		7,711
Current tax liabilities	2,741	–	–	2,741	–		2,741
Shareholder's loan	–	–	1,555	1,555	(1,555)	*2*	–
	97,075	–	2,009	99,084	(1,555)		97,529
Net current assets/(liabilities)	352,292	–	(1,458)	350,834	(77,696)		273,138
Total assets less current liabilities	429,607	–	(304)	429,303	304		429,607
NET ASSETS/(LIABILITIES)	429,607	–	(304)	429,303	304		429,607

Note:

1. This adjustment represents the proposed acquisition of 100% issued share capital of Target A at the consideration of HK$78,000,000. Target A only holds an intangible asset and does not constitute a business, so the acquisition is accounted for as a purchase of intangible asset. Since the Acquisition does not constitute a business combination, according to Hong Kong Financial Reporting Standard 3 (Revised) – paragraph 2(b), the intangible asset shall be measured initially at consideration, not at fair value. The accounting policy on the intangible asset (including but not limited to the assessment of its impairment) shall be applied consistently after the purchase of the intangible asset is recognized in the Company's consolidated accounts.

   After assessment, the Company considered that there was not any indication that the intangible asset may be impaired. As a result, the Company did not estimate the recoverable amount of the intangible asset. This treatment has been agreed by the reporting accountants.

2. This adjustment represents the proposed acquisition of 100% issued share capital of Target B at the consideration of approximately HK$1,251,000, which is the total set-off amount of net liabilities of Target B and the sale loan of HK$1,555,000 as at 30 June 2010. The full amount of sale loan will be transferred to the Group upon the Completion.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

22 November 2010

The Directors
United Gene High-Tech Group Limited
Rooms 1405-1406, 14/F, Harbour Centre
25 Harbour Road, Wanchai
Hong Kong

Dear Sirs/Madams,

In accordance with the instructions from United Gene High-Tech Group Limited (the "Company"), we have completed a valuation of the fair value of 100% interest of Fudan Health (Guang Dong) Ltd. ("Fudan Guang Dong") as at 8 November 2010 (the "Valuation Date").

It is our understanding that our analysis will be used by the management of the Company solely as a reference for the proposed acquisition of Fudan Guang Dong, details of which are set out in the circular dated 22 November 2010 issued by the Company to the Shareholders (the "Circular"). We confirm that we have made relevant enquiries and obtained such information as we consider necessary for the purpose of providing our opinion of fair value of Fudan Guang Dong as at the Valuation Date. Our work was performed subject to the assumptions and limiting conditions described in the Appendices of this report.

We understand that this valuation will be used as a reference for your investment purpose, details of which are set out in the Circular, of which this valuation report forms part. Unless otherwise stated, terms used in this valuation report have the same meanings as those defined in the Circular. Our analysis was conducted for the above mentioned purpose only and this report should be used for no other purpose.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

INTRODUCTION

Fudan Guang Dong is a limited company incorporated in the British Virgin Islands. Upon completion of the transaction, the principal activities of Fudan Guang Dong will be marketing and distributing of gene products. As described in the Circular, Fudan Guang Dong will own the exclusive distribution rights for distribution of the diseases susceptibility genetic testing services and the gene consultancy services products for the regions including People's Republic of China ("PRC"), Hong Kong and Macau (the "Exclusive Distribution Rights").

As disclosed in the Circular, the diseases susceptibility genetic testing services were developed by United Gene Technology Holdings Limited and its subsidiaries which are controlled by Dr. Mao, an ultimate controlling shareholder of Fudan Guang Dong and a professor of Life Science at Fudan University. The diseases susceptibility genetic testing services are primarily applied in the risk assessment and genetic susceptibility testing of more than 90 genetic related diseases, including cardiac cerebrovascular disease, endocrine system diseases and tumour/cancer, for purposes of early identification of human's potential development of the above-mentioned diseases.

Fudan Guang Dong's revenue is expected to be generated mainly from the distribution of the diseases susceptibility genetic testing services and supply of test kits. Genetic testing is a new technology and is becoming more popular in the developed countries. It is commonly used in assessing individuals' risk of future disease for a particular condition due to their family history by examining genetic information contained inside a person's cell, or DNA.

PURPOSE OF ENGAGEMENT

As aforementioned, the purpose of this particular engagement is to assist the management of the Company in determining the fair value of Fudan Guang Dong as of the Valuation Date for investment purpose.

The premise of value is Going Concern, defined as:

"*an ongoing and operating business enterprise*".

Going Concern Value is defined as:

"*the value of a business enterprise that is expected to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained workforce, an operational plant, and the necessary licenses, systems, and procedures in place*".

SCOPE OF SERVICES

We were engaged by the management of the Company to assist in their estimate of the fair value of Fudan Guang Dong as of Valuation Date.

- We understand that the Company will use our analysis solely as a reference for investment purpose.
- Our analysis and conclusion of fair value of Fudan Guang Dong were based on our discussions with the management of the Company and a review of key transaction documents and records, including:
    - Profit forecast of Fudan Guang Dong for the fiscal years ending 30 June 2011 to 30 June 2017 provided by the Company;
    - Group chart of the Company and its subsidiaries and/or related companies as of 16 September 2010;
    - Draft Share Purchase Agreement entered into among United Gene Health Group Limited, Fudan Health International Limited and Bestdone Limited dated 20 September 2010;
    - Draft Termination Agreement entered into between China United Gene Health Limited and China United Gene Health Industry Limited dated 20 September 2010;
    - Draft Use of Certain Logos of UG Logo Agreement entered into between United Gene Health Group Limited and Fudan Guang Dong dated 24 September 2010;
    - Draft Exclusive Right Agreement entered into between 上海博仲生物技術有限公司 and Fudan Guang Dong dated 24 September 2010;
    - Draft Exclusive Right Agreement entered into between Fudan Health International (MCO) Limited and Fudan Guang Dong dated 24 September 2010;
    - Draft Termination Agreement entered into between上海博仲生物技術有限公司 and China United Gene Health Industry Limited dated 24 September 2010; and
    - The powerpoint description of the Exclusive Distribution Rights to be owned by Fudan Guang Dong prepared by the Company upon the completion of the proposed acquisition.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and news.

PRINCIPAL SOURCES OF INFORMATION

In completing this valuation, we have relied heavily on information provided by the management of the Company. We assumed that information and documents we obtained in the course of the valuation, along with the opinions and representations provided to us by the Company and its management, were issued to the Company independently without bias to any parties involved. Also, we assumed that the aforesaid data and financial analysis provided to us are genuine and correct.

ECONOMIC OUTLOOK AND INDUSTRY ANALYSIS

In conjunction with the preparation of this valuation opinion, we have reviewed and analysed the current economic conditions in China, the development of biotechnology industry and how the value of Fudan Guang Dong may be impacted in this economic environment.

China's Economic Outlook

Boosted by the RMB4 trillion government stimulus plan and the cumulative effects of fiscal and monetary easing, China has shifted its economy driver from exports towards domestic consumption and made the most impressive recovery from the global financial crisis among all major economies. China recorded an impressive GDP growth of 9.1% in 2009. According to 2009 IMF's world GDP ranking, China's economy is now the third largest in the world after that of the United States and Japan. It should not be to anyone's surprise that if China can sustain its current growth rate, its GDP ranking will further advance in the foreseeable future.

	Country	**GDP** *(Millions of USD)*
1	United States	14,256,275
2	Japan	5,068,059
3	PRC	4,908,982
4	Germany	3,352,742
	World	57,937,460

Source: 2009 List by the International Monetary Fund

Riding on the momentum of its robust economic growth, the Chinese government has begun to plan for exiting the stimulus monetary policies with a focus on structural economic and social issues. In the annual National People's Congress meeting held in March this year, the Chinese government has clearly outlined the three main focal points of work for 2010. In order to achieve a sustainable growth in future years, Chinese government is determined to achieve a 8% economic growth while keeping the inflation rate target of around 3% and set the M2 money supply and new loan growth targets at 17% and RMB7.5 trillion, respectively.

Entering 2010, with economies worldwide starting to settle down from the global financial crisis, China continues to exhibit strong momentum in its economic growth, particularly in the areas of investment in infrastructures, domestic consumption, and a rebound in exports from a year ago. Even though latest economic figures have indicated that there is a slight slowdown in GDP growth rate in the second quarter of 2010, slowing from 11.9% in the first quarter to 10.3% in the second quarter, the economy growth was still far higher than most of other economies in the world and an appropriate slowdown of the growth rate, in fact, is believed to benefit the Chinese economy's long term sustainable development as it will prevent the economy from growing too fast to being overheated.

There are still many challenges and uncertainties for the Chinese government to deal with in order to ensure a speedy economic recovery without the creation of excessive liquidity in the financial system, which will then lead to excessive asset inflation in both the stock and property markets. Managing inflation risk is also a key issue this year, and a series of fine tuning measures are expected to be implemented on a timely basis, such as stricter restrictions on mortgage lending, tighter requirement for second and third home purchases, introduction of property tax and further increment of bank's reserve requirement ratio, or even a rise in interest rate. Besides, as the global demand recovers and external exports grow, the Chinese government will face increasing pressure from its trading partners, who demand the Renminbi to be appreciated. Under tremendous pressure from various nations around the world, the Economist Intelligence Unit[1] has forecasted that the Chinese government will allow Renminbi to rise moderately this year.

[1] Country Report China May 2010, The Economist Intelligence Unit.

Despite these possible tightening measures, the Chinese government will continue its "proactive fiscal policy and moderately easing monetary policy" to maintain a healthy economic growth in longer term. The real GDP will still be able to expand by around 10.10% in 2010 and the growth will then slow down to around 9.25% in 2011.

Economic Indicators	**2008** *Actual*	**2009** *Actual*	**2010** *Forecast*	**2011** *Forecast*
Real GDP growth (%)	9.0	8.7	9.5	8.8
Consumer price inflation (%)	5.9	-0.7	2.7	2.4
Current-account balance (% GDP)	9.6	6.1	4.2	3.5
Commercial bank prime rate (%)	5.31	5.31	5.25	5.75
Exchange rate RMB: USD (average)	6.95	6.83	6.55	6.30

Source: National Bureau of Statistics of China and Bloomberg

Biotechnology Industry Worldwide

Biotechnology offers technological solutions for many of the health and resource-based problems facing the world. In recent years, the biotechnology industry is one of the world's fastest growing industries. For the global biotechnology industry, as for the rest of the world economy, the financial crisis in the past two years has strongly meltdown the market growth. The market turmoil led to significant declines in funding in 2008, which is fundamental for an industry which is heavily based on its research and development ("R&D") for its future success.

Although it has been tough years, the global biotechnology industry still managed to have an encouraging 12% growth in revenue and 18% increase in R&D expense according to the latest global biotechnology report issued by Ernst and Young. The biotechnology industry continued to lose money but narrowed its losses by a significant decrease of 53%. However, the number of companies and number of employees working in the industry have slightly dropped due to restructurings, layoffs, bankruptcies and delisting during this difficult period of time[2].

Figure 1 – Growth in global biotechnology 2007-08 (USDm)

	2008	2007	% change
Public company data			
Revenues	89,648	80,344	12%
R&D expense	31,745	26,881	18%
Net loss	(1,443)	(3,055)	-53%
Number of employees	200,760	201,690	-0.5%
Number of companies			
Public companies	776	815	-5%
Public and private companies	4,717	4,799	-2%

Source: Ernst and Young (2009), Beyond borders – Global biotechnology report 2009

The growth in revenues was particularly contributed by Europe and Asia-Pacific at 26% and 25% respectively. The U.S., being the market leader of the industry, contributed over 70% of the industry sales and has finally reached an aggregate profitability with aggregate net income of around USD400 million. Over 60% of the industry's revenue was contributed by the top 10 leaders in the industry.

[2] Ernst and Young (2009), Beyond borders – Global biotechnology report 2009.

Figure 2 – Global biotechnology at a glance in 2008 (USDm)

	Global	US	Europe	Canada	Asia-Pacific
Public company data					
Revenues	89,648	66,127	16,515	2,041	4,965
R&D expense	31,745	25,270	5,171	703	601
Net income (loss)	(1,443)	417	(702)	(1,143)	(14)
Number of employees	200,760	128,200	49,060	7,970	15,530
Number of companies					
Public companies	776	371	178	72	155
Public and private companies	4,717	1,754	1,836	358	769

Source: Ernst and Young (2009), Beyond borders – Global biotechnology report 2009

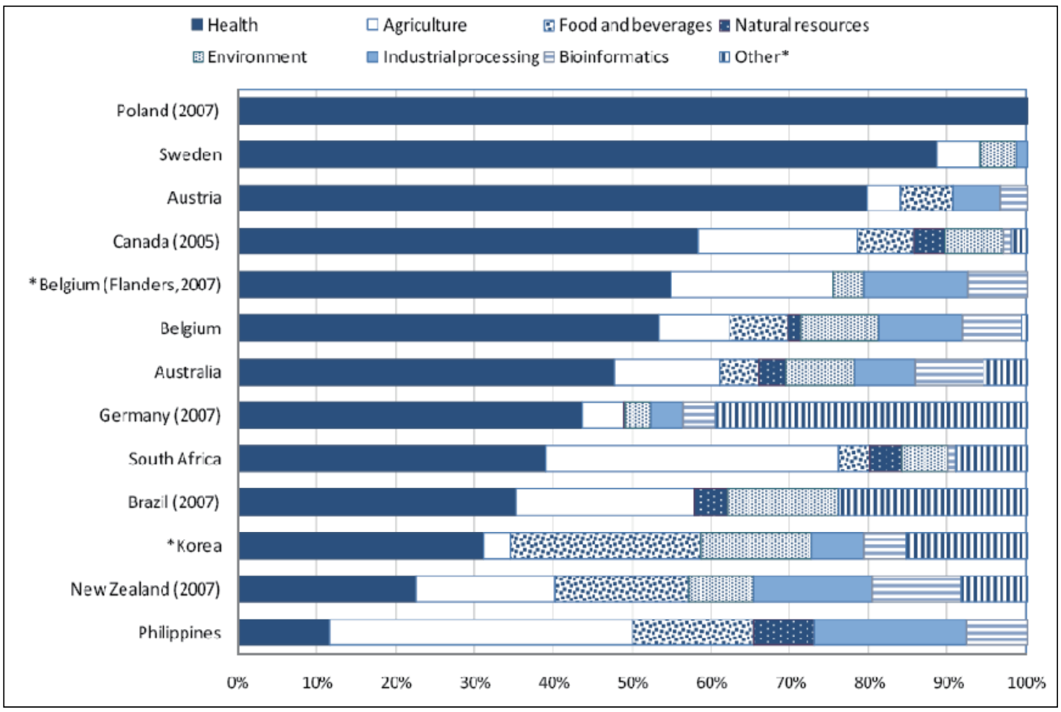
Figure 3 – Leading global biotech companies in 2008 (by sales)

Company/Country	2008 Revenue *USDb*	% Growth	2008 Net Income (Loss) *USDb*	% Growth	Income as % of Revenue
1. Amgen (U.S.)	$15.0	+1%	$ 4.2	+31%	28%
2. Genentech (U.S./Swiss)	$13.4	+15%	$ 3.4	+21%	25%
3. Gilead Sciences (U.S.)	$ 5.3	+26%	$ 2.0	+25%	38%
4. UCB (Belgium)	$ 5.3	–	$ 0.1	<73%>	2%
5. Genzyme (U.S.)	$ 4.6	+21%	$ 0.4	<12%>	9%
6. Biogen Idec (U.S.)	$ 4.1	+28%	$ 0.8	+23%	20%
7. CSL (Australia)	$ 3.6	+16%	$ 0.7	+30%	19%
8. Celgene (U.S.)	$ 2.3	+64%	<$1.5>	N/A	<65%>
9. Cephalon (U.S.)	$ 2.0	+11%	$ 0.2	>999%	10%
10. Actelion (Swiss)	$ 1.4	+12%	$ 0.3	+158%	21%
Total Top 10	**$57.0**	**+13%**	**$10.6**	**+12%**	**19%**

Source: Wisconsin Technology Network News, 13 July 2009

Rising incomes, particularly in developed countries, will increase demand for healthcare. Overall, biotechnology firms are more active in health and medical applications, which contributed by 45% of the global biotechnology firms according to the OECD statistics. It is followed by 11% firms active in agriculture, 10% active in food and beverages processing and 8% in environment[3].

Figure 4 – Share of dedicated biotechnology firms by application, 2006



Note:

(1) Dedicated biotechnology firm is defined as a biotechnology firm whose predominate activity involves the application of biotechnology techniques to produce goods and services and/or to perform biotechnology R&D.

(2) Statistics are generally from 2006 or the latest available, as specified above.

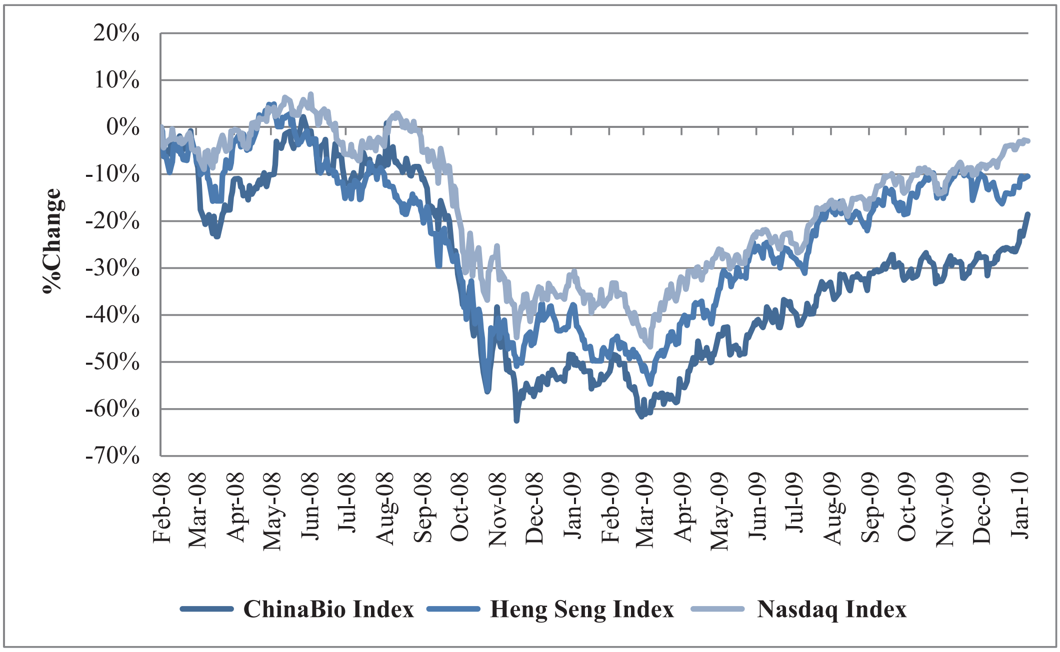
Source: OECD Biotechnology Statistics 2009

Biotechnology Industry in China

The biotechnology industry in China has gradually recovered from the financial tsunami since early 2009. The ChinaBio Index, which comprised of 15 US-listed biopharmaceutical companies, declined 57% during 2008, after rising 70% in 2007. The index has gradually recovered with the overall market and has increased by over 50% in the past year.

3 OECD Biotechnology Statistics 2009.

Figure 5 – Overseas-listed Chinese Biotech Companies Trend



Source: Index prices from ChinaBio Today

Despite the financial market turmoil, the biotechnology industry in China remains optimistic due to government incentives and its healthy economic growth. The large population in China has indicated a great demand for biotechnology products, including health products, agricultural products and high-quality food. The Chinese government, a key investor in the life sciences industry, has provided direct financial support to encourage the industry growth. As set out in the government's 11th Five-Year Plan (2006-2010), the goal for the output value of China's biotechnology industry is USD 73 billion (RMB500 billion in 2010 and USD 291 billion (RMB2,000 billion) in 2020, accounting for 2% and 4% respectively of China's forecasted GDP.

China's increased openness to global business and its large pool of biotechnology specialists and qualified clinicians has created its attractiveness in this field. Although wages have increased in the larger commercial cities, there are still significant cost advantages to conducting preclinical development and clinical trials for the companies in the West.

Product safety and intellectual property protection continue to be major concerns in investing in China. The Chinese government has been steadily implementing legislative reforms to improve these issues. For example, China's third amendment to its Intellectual Property law in December 2008 contains a provision concerning genetic material, requiring that applicants who submit inventions that rely on genetic resources must disclose their direct sources and prove that the material was lawfully obtained.

The Genetic Testing Sector

Genetic testing is an important development of the biotechnology industry and has been a popular topic for both businessman and the health industry in the recent years. The technology now allows individuals to predict future disease in absence of notable disease symptoms by examining one's genetic material. It has been very popular in the maternity industry for new born babies, and is becoming increasingly common for individuals who would like to understand their own genetic information.

In 2008, the Personal Genome Service (the "PGS") from 23andMe, Inc. has named 2008's Innovation of the Year by TIME Magazine for making personal genomics accessible and affordable. Traditionally, genetic tests could only be performed by hospitals and specialised doctors. Since the launch of the PGS in 2007, a testing service which can be ordered online, personal genetic testing has became more popular in the American community.

In China, the application of genetic testing is also becoming increasingly popular. Currently, genetic testing can be performed in large hospitals in commercial cities. A number of biotechnology companies also offer predictive genetic testing services to the general public. Some companies have further developed DNA testing to identify talents of children rather than just disease[4].

An investment research firm, Morningstar, expected that sales of services for testing genetic make-up to hit USD 1 billion in three years from 2009[5]. As the technology and the political environment become more developed and stable, gene testing certainly would attract individuals who are highly concerned with their health. It is also suggested that the technology could potentially become a routine part of healthcare in the near future[6].

VALUATION METHODOLOGIES

The valuation of any business or asset can be broadly classified into one of three approaches, namely the asset approach, market approach and income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of the asset.

The Asset Approach

This is a general way of determining the fair value indication of a business, business ownership interest, security, intangible assets, or mineral asset by using one or more methods based on the value of the assets net of liabilities.

Based on the theory that the value of a business is equal to the sum of its parts, value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

[4] In China, DNA test on kids ID genetic gifts, careers, extracted from http://www.cnn.com/2009/WORLD/asiapcf/08/03/china.dna.children.ability/

[5] Why screening your genes is big business, extracted from http://www.cnn.com/2009/HEALTH/05/05/consumer.genomics/index.html

[6] Los Angeles Times, 8 November 2008.

We have considered but decided against the asset approach to arrive at the fair value of Fudan Guang Dong because:

– The value of Fudan Guang Dong is determined by cash flow generated from its business operations using the Exclusive Distribution Rights, which means that the future economic benefit is more important in valuing Fudan Guang Dong than the book value or the cost of acquiring the rights.

The Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, intangible asset or mineral asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of substitution. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another. There are two basic methods under the market approach, namely the guideline transaction method and the guideline public company method.

We have considered but rejected the market approach to arrive at the fair value of Fudan Guang Dong because:

– We are unable to satisfy ourselves that the market approach would be the most appropriate since Fudan Guang Dong is unique with its product specialisation. Furthermore, although public information is sometimes available, acquisition frequently involves specific buyers who pay a premium/discount under its unique circumstances. This makes it difficult to know if the price paid for the projects truly represents the approximate transaction price of the transaction.

The Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, intangible asset, or mineral asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the Valuation Date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

We have applied the income approach to the valuation of Fudan Guang Dong because the value of Fudan Guang Dong is determined by the ability to generate a stream of benefits in future using the Exclusive Distribution Rights.

VALUATION ASSUMPTIONS

Our valuation comprises of an economic measure reflecting the fair value of Fudan Guang Dong as of the Valuation Date. Our development of the fair value will be performed by using a discounted cash flow ("DCF") methodology, which requires a number of assumptions, including revenue and expense forecasts. The nature for these assumptions will be discussed as follows:

- We have relied on the financial forecast for the fiscal years ending 30 June 2011 to 30 June 2017 provided by the management of the Company for the preparation of cash flow projection. After discussion with the management of the Company and taking into consideration of the Company's historical performance in gene testing services, we believe that the financial forecast of Fudan Guang Dong is reasonably projected.

- Per discussion with management, revenue is expected to be generated starting from December 2010. Projected revenue is expected to increase moderately from 2% to 8% during the fiscal years 2013 to 2016. Thereafter, the projected revenue will increase at the perpetual growth rate of around 2% based on the 10 year US Treasury note yield.

- Based on the financial forecast provided by the management of the Company, the estimated gross profit margin of Fudan Guang Dong during the projection period is around 43%.

- The selling price of the service/product and cost of sales remain constant during the projection period as advised by the management of the Company.

- We understand from the management of the Company that administrative expense and capital expenditure to be incurred by Fudan Guang Dong are estimated to be minimal due to limited workforce would be required for the distribution during the projection period.

- The working capital requirement of Fudan Guang Dong during the projection period is estimated to be 2% of revenue. Such estimation was prepared based on the median ratio of the selected comparable companies.

- The corporate tax rate of Fudan Guang Dong is 16.5%.

Other assumptions:

- There will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions;

- There will be no material change in interest rates or foreign currency exchange rates from those currently prevailing;

– There will be no material change in technology that causes genetic testing obsolete;

– All relevant legal approvals, business certificates or distribution licenses related to Fudan Guang Dong are formally obtained and that no additional costs or fees are needed to procure such during the application; and

– Fudan Guang Dong and the Company will retain competent management, key personnel, and technical staff to support the ongoing business operation.

DETERMINATION OF DISCOUNT RATE

We developed the cost of equity (the "Re") and the cost of debt (the "Rd") for the valuation of Fudan Guang Dong based on data and factors relevant to the economy and industry as at the Valuation Date. These costs were then weighted in terms of a typical or market participant industry capital structure to arrive at the estimated weighted average cost of capital.

Development of Weighted Average Cost of Capital (the "WACC")

We considered market and industry data to develop the WACC. The traditional formula for calculating the WACC is:

WACC = [(%D) * (Rd) * (1 – tax rate)] + [(%E) * (Re)]

Development of Cost of Equity (the "Re")

We considered the Capital Asset Pricing Model to calculate the cost of equity. Such method is considered a common method.

Capital Asset Pricing Model (the "CAPM")

CAPM, as applied in this valuation, can be summarized as follows:

Re = Rf + Beta * ERP + RPs + RPu

Risk-Free Rate ("Rf")

Rf was found by looking at the yields of the Hong Kong government bonds. Ideally, the duration of the security used as an indication of Rf should match the horizon of the projected cash flows that were being discounted, which was into perpetuity in the present case. We relied on the 15-Year Hong Kong Government Bond yield of 2.44% as at the Valuation Date.

Equity Risk Premium ("ERP")

ERP is calculated by subtracting the long-term average of the income return on riskless asset from the long-term average stock market return. We relied on International Equity Risk Premia Report Handbook published by Ibbotson Associates. For those markets that are not covered by the above publication, the equity risk premium of US market is multiplied by the relative volatility between S&P 500 Index and equity index of Hong Kong to obtain the equity risk premium. The ERP in Hong Kong applied is 6.58%.

Beta

In the CAPM formula, beta is a measure of the systematic risk of a particular investment relative to the market for all investment assets. We obtained betas for six identified publicly traded guideline companies, details of which are listed in the table below. The identified betas were unlevered to remove the effects of financial leverage on the indication of relative risk provided by the beta, and re-levered at the optimal industry capital structure.

Selection of Comparable Companies

Due care was exercised in the selection of comparable companies by using reasonable criteria in deciding whether or not a particular company is relevant to compute beta in our determination of Re.

In selecting the comparable companies, we started with a description of the company being valued, in terms of business activities and other criteria. For this engagement, we have selected companies which are in the biotechnology industry, with preference given to ones whose main operations are in the genetic testing businesses, listed as follows:

	Comparable Companies	Ticker	Business Activities
1	United Gene High-Tech Group Ltd	00399 HK	Distributes pharmaceutical products and genetic testing services
2	Genetic Technologies Ltd	GTG AU	Carries out advanced DNA genetic research and testing and owns several gene-based patents which include intron sequence analysis, genomic mapping and fetal cell recovery.
3	Benitec Ltd	BLT AU	Perform research focuses on gene-technology field to find ways to fight cancer causing cells.
4	Myriad Genetics Inc	MYGN US	Develops and markets molecular diagnostic products to provide physicians with information to help guide the care of patients, to prevent disease, delay the onset of disease, or catch disease at an early stage.

	Comparable Companies	Ticker	Business Activities
5	Orchid Cellmark Inc	ORCH US	Offers human and agricultural DNA testing services.
6	Da An Gene Co Ltd Sun Yat-Sen University	002030 CH	Researches, develops, manufactures, and sells fluorescence Polymerase Chain Reaction diagnostic kits and related medical equipment.

We have focused our comparison on companies which engaged in gene testing or distribution of medical kits. We believe that the business activities of 6 selected comparable companies are reasonably similar to those of Fudan Guang Dong, thus the selected comparable companies are reasonable representatives in the industry. Accordingly, the re-leverage beta derived from the respective leverage betas of the selected comparable companies best reflects the underlying risk in the industry.

Small company premium ("RPs")

RPs, over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the risk free rate from the realized return in excess of the risk free rate of companies. We have applied the size premium return in excess of CAPM for companies in the Microcap segment of NYSE/AMEX/NASDAQ in the United States. We relied on the studies performed by Ibbotson Associates as reflected in their Stocks, Bonds, Bills, and Inflation: 2010 Yearbook.

Specific company adjustment ("RPu")

RPu for unsystematic risk attributable to the specific company is designed to account for additional risk factors specific to Fudan Guang Dong. In the case of Fudan Guang Dong, we believe that all risk factors have been properly accounted for in the cost of equity and therefore it is not necessary to apply an additional RPu.

Computation of Cost of Equity ("Re")

CAPM	
Risk Free Rate ("Rf")	2.44%
Beta	0.635
Equity Risk Premium ("ERP")	6.58%
Small Company Premium ("RPs")	12.06%
Specific Company Adjustment ("RPu")	0.00%
Cost of Equity ("Re")	**18.68%**

Weighted Average Cost of Capital

WACC (being the discount rate for this valuation) is determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure. We have "levered" Fudan Guang Dong as if it mirrored the average percentage of debt as the comparable companies on the assumption that over time, Fudan Guang Dong would need to approach the comparable companies' industry average amount of debt, which is the less expensive form of capital than equity, to remain competitive. Subsequent to the calculations of cost of equity and cost of debt, the following equation is used to develop the WACC:

$$\mathbf{WACC = [(\%D) \times (Rd) \times (1\text{-}T)] + [(\%E) \times (Re)]}$$

The calculation of WACC, or the discount rate, therefore becomes:

Percentage of interest bearing debt (%D)	0.00%
× Market cost of debt (Hong Kong prime rate) (Rd)	5.00%
× 1 – tax rate	83.5%
Weighted cost of debt	**0.00%**
+	
Percentage of equity (%E)	100.00%
× Cost of equity (CAPM) (Re)	18.68%
Weighted cost of equity	**18.68%**
∴ WACC (rounded)	**18.68%**

From the above calculations, we have concluded that a discount rate of 18.68% is reasonable to use in the valuation of Fudan Guang Dong.

Discount for Lack of Marketability

The Discount for Lack of Marketability ("DLOM") can be the valuation adjustment with the largest monetary impact on the final determination of value. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. The DLOM is a downward adjustment to the value of an investment to reflect its reduced level of marketability.

In selecting the appropriate DLOM, we considered the length of time and effort required by management in order to sell a controlling interest. This typically would take at least three to nine months if a transaction could be consummated at all. A controlling interest does enjoy the benefit of controlling the cash flow stream during this time period. Finally, we considered the expenses that are typically incurred to sell a business which are substantial such as legal fees, accounting fees, and intermediary fees. Also, we made reference to the overall average discount of transactions from 1980 to 2005 as indicated in the research study, "Determining Discounts for Lack of Marketability" prepared by FMV Opinions, Inc. dated 2007.

Since Fudan Guang Dong is not traded nor does an established market exist for it, prudent investors would apply a discount to reflect its lack of liquidity and the current market situation. For this reason, we adopted a 25% DLOM to reflect this fact in our valuation for the fair value of Fudan Guang Dong as of the Valuation Date.

SENSITIVITY ANALYSIS

Both the WACC and the perpetual growth rate play a pivotal role in the valuation. The respective fair values of 100% interest in Fudan Guang Dong under different combinations of WACC and perpetual growth rate are presented below:

Fair Value of Fudan Guang Dong (HK$ in million)

	Perpetual Growth Rate (rounded in %)				
WACC	1.0%	1.5%	**2.0%**	2.5%	3.0%
17.68%	234	238	242	246	251
18.18%	226	230	234	238	242
18.68%	220	223	**226**	230	234
19.18%	213	216	220	223	227
19.68%	207	210	213	216	220

SYNTHESIS AND RECONCILIATION

Because valuations cannot be made on the basis of a prescribed formula, there is no means whereby the various applicable factors in a particular case can be assigned mathematical weights in deriving the fair value. For this reason, no useful purpose is served by taking an average of several factors (for example, book value, capitalized earnings and capitalized dividends) and basing the valuation on the result. Such a process excludes active consideration of other pertinent factors, and the end result cannot be supported by a realistic application of the significant facts in the case except by mere chance.

The following comparative data summarizes and the various methods that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to Fudan Guang Dong's facts and circumstances, and strengths/weaknesses were previously discussed.

Asset Approach	
Replacement, Liquidation or Book Value Method	N/A
Application	Rejected
Market Approach	
Guideline Transaction Method or Guideline Public Company Method	N/A
Application	Rejected
Income Approach	
Discounted Cash Flow Method	HK$226,000,000
Application	Accepted

Since the income approach is the only valid and applicable approach in this valuation, we conclude the fair value of our valuation of Fudan Guang Dong as at the Valuation Date is HK$226,000,000 using discounted cash flow method.

CONCLUSION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, in our opinion, the fair value of Fudan Guang Dong as of the Valuation Date is:

HONG KONG DOLLARS TWO HUNDRED AND TWENTY SIX MILLION ONLY (HK$226,000,000)

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

K. K. Ip
Registered Business Valuer of HKBVF
MRICS, MHKIS and RPS (GP)
Managing Director

Samuel Y.C. Chan
MBA, CVA, CM&AA
Director
Head of Business Valuation

Analysed and reported by:
Rachel Au, *CPA, CVA*
Carol Tso, *CPA*

Mr. K.K. Ip, a Chartered Valuation Surveyor of The Royal Institution of Chartered Surveyors (RICS), Member of Surveyors Registration Board of Hong Kong, Member (General Practice Division) of The Hong Kong Institute of Surveyors (HKIS) and Registered Business Valuer of The Hong Kong Business Valuation Forum (HKBVF), has substantial experience in property, plant and machinery, business enterprise and intellectual property valuations for various purposes in Greater China Region since 1992.

Mr. Samuel Y.C. Chan, MBA, Certified Valuation Analyst (CVA) of The International Association of Consultants, Valuators and Analysts (IACVA), Associate Member of The American Institute of Minerals Appraisers and Certified Merger & Acquisition Advisor, has been conducting business enterprise and intellectual property valuations for various purposes since 2004. He also spends a significant portion of his time in valuation of financial instruments including convertible bonds, preference shares, swaps, corporate guarantees and employee share options for private and public companies in China, Hong Kong, Taiwan, Japan, Singapore and the United States.

Ms. Rachel S.K. Au, CPA, CVA of the IACVA, is experienced in performing business and intangible asset valuation & advisory for both private and public companies for various purposes, including financial reporting, merger and acquisition, restructuring, disposal, liquidation and litigation since 2007. Most of the engagements were Hong Kong listed companies. Besides the major focus on mainland China and Hong Kong, Rachel's experiences also cover other Asia Pacific countries such as Mongolia, Taiwan and Singapore.

Ms. Carol K.L. Tso, CPA, MComm, has extensive experience in conducting business and intangible assets valuation for private and public companies in various industries, including financial services, mining, manufacturing, retail and healthcare.

APPENDICES – STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

The primary assumptions and limiting conditions pertaining to the value estimate conclusion(s) stated in this report are summarized below. Other assumptions are cited elsewhere in this report.

The valuation may not be used in conjunction with any other valuation or study. The value conclusion(s) stated in this valuation are based on the program of utilization described in the report and may not be separated into parts. The valuation was prepared solely for the purpose, function, and party so identified in the report. The valuation report may not be reproduced, in whole or in part, and the findings of the report may not be utilized by a third party for any purpose, without the express written consent of Greater China Appraisal Limited.

No change to any item in any of the valuation report shall be made by anyone other than Greater China Appraisal Limited, and we shall have no responsibility for any such unauthorized change.

Unless otherwise stated in the valuation, the valuation of the business has not considered or incorporated the potential economic gain or loss result from contingent assets, liabilities, or events existing as at the Valuation Date.

The working papers for this engagement are being retained in our files and are available for your references; we would be available to support our valuation conclusion(s) should this be required. Those services would be performed for an additional fee.

Neither all nor any part of the contents of the report shall be disseminated or referred to the public through advertising, public relations, news or sales media, or any other public means of communication, or referenced in any publication, including any private or public offerings, including but not limited to those filed with The Stock Exchange of Hong Kong Limited or other governmental agency, without the prior written consent and approval of Greater China Appraisal Limited.

Management is assumed to be competent, and the ownership to be in responsible hands, unless noted otherwise in this report. The quality of business management can have a direct effect on the viability and value of the business. Any variance from this assumption could have a significant impact on the final value estimate.

Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business due to future legislation, including any environment or ecological matters or interpretations thereof.

Events and circumstances frequently do not occur as expected, and there will usually be differences between prospective financial information and actual results, and those differences may be material. Accordingly, to the extent that any of the information used in this analysis and report requires adjustment, the resulting fair value would be different.

Any decision to purchase, sell, or transfer any interest or asset in the acquirer or acquire company, or any portion thereof, shall be solely your responsibility, as well as the structure to be utilized and the price to be accepted.

The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business or assets might be concluded at a higher value or at a lower value, depending on the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

All facts and data set forth in our letter report are true and accurate to the best of our knowledge and belief.

No investigation of legal fees or title to the property has been made, and the owner's claim to the property has been assumed valid. No consideration has been given to liens or encumbrances that may be against the property except as specifically stated in the valuation executive summary report.

During the course of the valuation, we have considered information provided by the management and other third parties. We believe these sources to be reliable, but no further responsibility is assumed for their accuracy.

Any projections of future events described in this report represent the general expectancy concerning such events as at the Valuation Date. These future events may or may not occur as anticipated, and actual operating results may vary from those described in our report.

This valuation study is intended solely for use by the management of the acquiring company and should not be used for any other purpose or distributed to third parties, in whole or in part, without the express written consent of Greater China Appraisal Limited.

We have no responsibility or obligation to update this report for events or circumstances occurring subsequent to the date of this report.

Our report is based on historical and/or prospective financial information provided to us by management and other third parties. This information has not been audited, reviewed, or compiled by us, nor has it been subjected to any type of audit, review, or compilation procedures by us, nor have we audited, reviewed, or compiled the books and records of the subject company. Had we audited, reviewed, or compiled the underlying data, matters may have come to our attention that would have resulted in our using amounts that differ from those provided; accordingly, we take no responsibility for the underlying data presented or relied upon in this report.

We have relied upon the representations of the owners, management, and other third parties concerning the value and useful conditions of all equipment, real estate, investments used in the business and any other assets of the business, and that such assets are free and clear of liens and encumbrances, or that the company has good title to all assets.

Our valuation judgment, shown herein, pertains only to the subject assets, the stated value standard (fair value), as at the Valuation Date, and only for the stated valuation purpose.

The various estimates of value presented in this report apply to the valuation report only, and may not be used out of the context presented herein.

In all matters that may be potentially challenged by The Stock Exchange of Hong Kong Limited, a Court, the Inland Revenue Department, or other governmental and/or regulatory body, we do not take responsibility for the degree of reasonableness of contrary positions that others may choose to take, nor for the costs or fees that may be incurred in the defence of our recommendations against challenge(s). We will, however, retain our supporting work papers for your matter(s), and will be available to assist in active defence of our professional positions taken, at our then current rates, plus direct expenses at actual, and according to our then current Standard Professional Agreement.

安達會計師事務所
ANDA CERTIFIED PUBLIC ACCOUNTANTS

22 November 2010

The Board of Directors
United Gene High-Tech Group Limited
Rooms No. 1405-1406, Harbour Centre
No. 25 Harbour Road, Wanchai
Hong Kong

Dear Sirs,

We have examined the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "Forecast") underlying the valuation of Fudan Health (Guang Dong) Ltd. (the "Target A") performed by Greater China Appraisal Limited in respect of the appraisal of the fair value of the Target A as at the reference date of 8 November 2010 in connection with the circular of United Gene High-Tech Group Limited (the "Company") dated 22 November 2010 (the "Circular"). The Forecast examined by us included financial forecast for the year ending 30 June 2011 to 30 June 2017 provided by the Company's management.

Respective responsibilities of directors and us

The directors of the Company are responsible for the preparation of the Forecast and the reasonableness and validity of the assumptions based on which the Forecast is prepared (the "Assumptions").

It is our responsibility to form an opinion based on our reasonable assurance engagement, so far as the arithmetical accuracy of the calculations is concerned, on whether the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions and to report our opinion solely to you, as a body, solely for the purpose in connection with the Circular and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Basis of opinion

We conducted our reasonable assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” with reference to the procedures under Auditing Guideline 3.341 “Accountants’ Report on Profit Forecasts” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our work was performed solely to assist the directors of the Company to evaluate, so far as the arithmetical accuracy of the calculations is concerned, whether the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions.

We planned and performed our reasonable assurance engagement so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give our opinion. Our reasonable assurance engagement included:

a. checking the arithmetical calculations relating to the amounts presented in the Forecast; and

b. such other procedures that we considered necessary.

We believe that our reasonable assurance engagement provides a reasonable basis for our opinion.

Our reasonable assurance engagement does not constitute an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or a review opinion on the Forecast.

Because the Forecast relates to cash flows, no accounting policies of the Company have been adopted in its preparation.

Opinion

In our opinion, based on the foregoing, so far as the arithmetical accuracy of the calculations is concerned, the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,
Anda Certified Public Accountants
Hong Kong

ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

22 November 2010

The Board of Directors
United Gene High-Tech Group Limited
Rooms No. 1405-1406, Harbour Centre,
No. 25 Harbour Road, Wanchai,
Hong Kong

Dear Sirs,

We refer to the valuation report dated 22 November 2010 prepared by Greater China Appraisal Limited (the "**Valuers**") in relation to the valuation of Fudan Health (Guang Dong) Ltd. ("**Target A**") as set out in Appendix V to the Circular. Terms used in this letter have the same meanings as defined elsewhere in the circular dated 22 November 2010 (the "**Circular**"), of which this letter forms part, unless the context requires otherwise.

As stated in the valuation report from the Valuers, the valuation of Target A has been prepared and based on the income approach, which takes into account the cash flow projection of the business relating to the Target A for the financial years ending 30 June 2011 to 30 June 2017 made by the Directors (the "**Forecast**"). As such, the Forecast is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

We have reviewed the Forecast upon which the valuation of Target A has been made, and have discussed with you and the Valuers the information and documents provided by you, which formed part of the bases and assumptions upon which the Forecast have been made. We have also considered, and relied upon, the letter addressed to the Board from ANDA Certified Public Accountants as set out in Appendix VI to the Circular regarding the calculations for the Forecast.

On the basis of the foregoing, the bases and assumptions made by you and the calculations adopted by you and reviewed by ANDA Certified Public Accountants, we are of the opinion that the Forecast, for which the Directors are solely responsible, has been made after due and careful enquiry and consideration.

Yours faithfully,
For and on behalf of
Asian Capital (Corporate Finance) Limited
Larry Chan
Executive Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Persons who have interests or short positions in the Shares or underlying Shares which is discloseable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed below, as at the Latest Practicable Date, no person (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

Long positions in the Shares

Name of shareholders	Capacity	Number of shares/ underlying shares held	Percentage of the issued share capital of the Company
Dr. Mao	Interest of a controlled corporation	6,652,843,853	54.69%
United Gene Holdings Limited	Interest of a controlled corporation	6,652,843,853	54.69%
Best Champion Holdings Limited	Beneficial owner	6,652,843,853	54.69%

Save as disclosed above, the Directors are not aware of any other relevant interest or short positions of 5% of more in the issued share capital of the Company as at the Latest Practicable Date.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, no Director is considered to have had an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged Group, pursuant to the Listing Rules, other than those businesses of which the Directors were appointed as directors to represent the interests of the Enlarged Group.

4. DIRECTORS' SERVICE CONTRACTS

The executive Directors, Mr. Qin Yilong, Mr. Shen Xiaodong and Mr. Jiang Jian, were entered into service agreements with the Company, which will continue until being terminated by either party by giving not less than two months' prior notice in writing to the other party. Under the terms of the service agreements, each of the above three executive Directors are entitled to a director's remuneration (including a director's fee) of HK$30,000 per month and a discretionary year end payment.

There is no service contract entered into between the Company and the independent non-executive Directors, Dr. Zhang Huming, Ms. Chen Weijun and Ms. Jiang Di and their appointment is not appointed for a specific term. Their appointment is subject to retirement by rotation at least once every three years in accordance with the provisions of the Articles of Association. As at the date of appointment of their independent non-executive directorship, Dr. Zhang Huming, Ms. Chen Weijun and Ms. Jiang Di are entitled to receive an annual director's fee of HK$40,000, HK$60,000 and HK$40,000 respectively.

There has been no increase in the remuneration of any Director in the six months prior to the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Director has any existing or proposed service contract with any members of the Enlarged Group excluding contracts expiring or determinable by the employer within 1 year without payment of compensations other than statutory compensation.

5. LITIGATIONS

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claim or material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 30 June 2010, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of, by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group.

7. DIRECTORS' INTEREST IN THE CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

The Board confirms that none of the Directors have any material interest in the Connected Transaction and the Continuing Connected Transactions, and therefore none of the Directors were required to abstain from voting in the meeting of the Board in which the Connected Transaction and the Continuing Connected Transactions were approved.

8. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions or advice, which is contained in this circular.

Name	Qualification
Asian Capital (Corporate Finance) Limited	A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities for the purposes of the SFO
Ample Capital Limited	A licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities for the purposes of the SFO
ANDA Certified Public Accountants	Certified Public Accountants
Greater China Appraisal Limited	Professional valuers and surveyors

As at the Latest Practicable Date, none of the above experts had direct or indirect shareholdings in the Company or any member of the Enlarged Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Enlarged Group or any interest, directly or indirectly, in any assets which have been, since 30 June 2010, being the date to which the latest published audited financial statements of the Group were made up, acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any member of the Enlarged Group.

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Enlarged Group after the date falling two years prior to the date of the announcement for the Acquisition on 8 November 2010 and up to the Latest Practicable Date and are or may be material:

(a) the Acquisition Agreement and Exclusive Agreements;

(b) the underwriting agreement entered into between the Company, Best Champion Holdings Limited and Grand Investment (Securities) Limited, both acting as the underwriters, dated 19 March 2010 to fully underwrite the proposed right shares of 6,082,254,031 new ordinary shares of HK$0.01 each, at the subscription price of HK$0.052 per rights share; and

(c) the share transfer agreement and a supplemental agreement dated 9 July 2010 entered into between United Gene Health, Sonac Holdings Limited and CNL Partners Holding BV to purchase a total of 70% equity interest in CNL (Pinghu) Biotech Co. Ltd. for a consideration of RMB15.12 million and would be injected further capital investments of RMB19.88 million.

10. CORPORATE INFORMATION

(i) The registered office of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(ii) The principal place of business of the Company in Hong Kong is located at Rooms No. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

(iii) The company secretary of the Company is Ms. Cheung Sui Ping, Annie, whose is the associate member of the Hong Kong Institute of Certified Public Accountants and of the Association of Chartered Certified Accountants in Hong Kong.

(iv) The Hong Kong Branch of share registrar of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

11. MISCELLANEOUS

The English text of this circular will prevail over the Chinese text in the case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Room Nos. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong during the normal business hours from the date of this circular up to and including the date of the EGM:

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

(b) the letter from the Independent Board Committee, the text of which is set out on pages 17 and 18 of this circular;

(c) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 30 of this circular;

(d) the annual reports of the Company for the two years ended 30 June 2009 and 2010;

(e) the accountants' reports of Target A and Target B, the text of which is set out in Appendices II and III of this circular;

(f) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(g) the Valuation Report, the text of which is set out in Appendix V of this circular;

(h) the letter from the accountants regarding the Valuation Report, the text of which is set out in Appendix VI of this circular;

(i) the letter from the financial adviser regarding the Valuation Report, the text of which is set out in Appendix VII of this circular;

(j) the consent letters referred to in the section headed "Experts and Consents" in this appendix;

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

(l) service agreements between the Company and the executive Directors, if any, respectively;

(m) a copy of the Companies Laws of the Cayman Islands; and

(n) this circular.

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)

(Terms used in this notice have the same meanings as defined in the Circular (as defined below).)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of United Gene High-Tech Group Limited (聯合基因科技集團有限公司) (the "**Company**") will be held at Rooms No. 1405-1406, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Wednesday, 8 December 2010, at 4:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT** subject to and conditional upon (i) the Company despatching a circular (the "**Circular**") of the Company dated 22 November 2010 of which this notice forms a part, a copy of which is marked "A" and signed by the chairman of this meeting for the purpose of identification) to the Shareholders containing, among other matters, (i) details of the Acquisition, the Continuing Supplies and the Distribution Arrangement together with proxy form and this notice; (ii) the passing by the Independent Shareholders at the EGM of ordinary resolutions to approve and ratify the Acquisition Agreement, the Exclusive Agreements and the transactions contemplated therein; (iii) The Securities and Futures Commission in Hong Kong or the Stock Exchange have no objections to the Group and/or the Purchaser in relation to the transactions arising from the Acquisition Agreement:

   (a) the entering into the Acquisition Agreement and the Exclusive Agreements and the transactions contemplated thereunder by, among others, the Purchaser and Target A be and are hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by, among others, the Purchaser and Target A be and are hereby approved; and

(b) the Directors be and are hereby authorised to sign and execute such documents and do all such acts and things incidental to the Acquisition, the Continuing Supplies and the Distribution Arrangement or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Acquisition Agreement, the Exclusive Agreements and the transactions contemplated thereunder."

By order of the Board
UNITED GENE HIGH-TECH GROUP LIMITED
Cheung Sui Ping Annie
Company Secretary

Hong Kong, 22 November 2010

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

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

Notes:

(1) A member entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint one or, if he is holder of more than one share, more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.

(2) In order to be valid, a form of proxy, together with any power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time for holding of the extraordinary general meeting or any adjournment thereof (as the case may be).

(3) Completion and delivery of the form of proxy will not preclude members from attending and voting at the extraordinary general meeting or any adjournment thereof (as the case may be) should they so wish and in such event, the form of proxy will be deemed to be revoked.

(4) Where there are joint holders of any shares, any one of such holders may vote at the extraordinary general meeting either personally or by proxy in respect of such shares as if he/she was solely entitled thereto provided that if more than one of such joint holders be present at the extraordinary general meeting whether personally or by proxy, the person whose name stands first on the register of members of the Company in respect of such shares shall be accepted to the exclusion of the votes of the other joint holders.

(5) All resolutions proposed at the extraordinary general meeting will be voted by way of a poll by the Independent Shareholders.