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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 399)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2012

The board (the "Board") of directors (the "Directors") of United Gene High-Tech Group Limited (the "Company") hereby announces the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2012 (the "Financial Year") together with the comparative figures for the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Turnover	*3 & 5*	**25,475**	90,193
Cost of sales		**(10,437)**	(56,686)
Gross profit		**15,038**	33,507
Other income	*4*	**7,820**	5,180
Selling expenses		**(2,436)**	(2,640)
Administrative expenses		**(55,678)**	(27,352)
Impairment loss on goodwill	*12*	**(1,954)**	—
Impairment loss on intangible assets	*11*	**(94,397)**	—
(Loss)/profit from operations		**(131,607)**	8,695
Gain on deconsolidation of the subsidiaries		**—**	161
Finance costs	*6*	**(150)**	—
(Loss)/profit before tax		**(131,757)**	8,856
Income tax credit/(expense)	*7*	**2,060**	(3,250)
(Loss)/profit for the year	*8*	**(129,697)**	5,606

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**1,839**	2,033
Fair value changes of property		**1,395**	—
Fair value changes of available-for-sale financial assets		**116**	508
Other comprehensive income for the year, net of tax		**3,350**	2,541
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(126,347)**	8,147
(Loss)/profit for the year attributable to:			
Owners of the Company		**(123,882)**	5,247
Non-controlling interests		**(5,815)**	359
		(129,697)	5,606
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(120,883)**	7,574
Non-controlling interests		**(5,464)**	573
		(126,347)	8,147
(Loss)/earnings per share	*10*		
Basic and diluted (HK cents per share)		**(1.02)**	0.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	**2012** ***HK$'000***	2011 *HK$'000*
Non-current assets			
Property, plant and equipment		**52,540**	32,081
Intangible assets	*11*	**8,091**	100,270
Goodwill	*12*	**—**	1,954
		60,631	134,305
Current assets			
Inventories		**155**	118
Prepayments, deposits and other receivables		**26,688**	21,654
Available-for-sale financial assets		**98,467**	77,235
Trade receivables	*13*	**20**	11,672
Bank and cash balances		**170,037**	222,267
		295,367	332,946
Current liabilities			
Trade payables	*14*	**499**	1,301
Accruals and other payables		**12,772**	7,251
Other borrowings		**11,040**	—
Current tax liabilities		**—**	1,890
		24,311	10,442
Net current assets		**271,056**	322,504
Total assets less current liabilities		**331,687**	456,809
Non-current liabilities			
Deferred tax liabilities		**1,120**	2,972
NET ASSETS		**330,567**	453,837
Capital and reserves			
Share capital		**121,645**	121,645
Reserves		**197,603**	314,879
Equity attributable to owners of the Company		**319,248**	436,524
Non-controlling interests		**11,319**	17,313
TOTAL EQUITY		**330,567**	453,837

Notes to the financial information:

1. GENERAL INFORMATION

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

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

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

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

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

3. TURNOVER

	2012	2011
	HK$'000	*HK$'000*
Distribution of:		
Gene testing services	**22,607**	71,242
Bio-industrial products	**1,025**	18,951
Provision of health care management services	**1,843**	—
	25,475	90,193

4. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Interest income	**2,260**	1,640
Interest income of available-for-sale financial assets	**3,867**	—
Net gain on available-for-sale financial assets	**756**	532
Government grant from the People's Republic of China (the "PRC") for a health care management services project	**913**	2,938
Gain on disposals of property, plant and equipment	**—**	27
Sundry income	**24**	43
	7,820	5,180

5. SEGMENT INFORMATION

The Group has three reportable segments as follows:

(a) distribution of gene testing services

(b) distribution of bio-industrial products

(c) provision of health care management services

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

The amounting policies of the operating segments are the same as those described in the audited annual consolidated financial statements. Segment profits or losses do not include gains or losses from investments. Segment assets do not include corporate assets, amounts due from related parties and investments. Segment liabilities do not include corporate liabilities and amounts due to related parties.

	Distribution of gene testing services		**Distribution of bio-industrial products**		**Provision of health care management services**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Years ended 30 June 2012 and 2011:								
Revenue from external customers	**22,607**	71,242	**1,025**	18,951	**1,843**	—	**25,475**	90,193
Segment (loss)/profit after income tax credit/(expense)	**(93,760)**	6,006	**(19,308)**	1,244	**(22,875)**	(3,074)	**(135,943)**	4,176
Additional disclosures for operating segments:								
Additions to property, plant and equipment	**5,373**	365	**6,464**	17,095	**16,070**	5,802	**27,907**	23,262
Additions to intangible assets	**—**	79,718	**—**	17,658	**3,484**	3,195	**3,484**	100,571
Interest income	**29**	114	**70**	59	**6**	15	**105**	188
Interest expense	**—**	4,741	**—**	—	**150**	—	**150**	4,741
Depreciation	**2,041**	565	**64**	51	**2,386**	30	**4,491**	646
Amortization	**—**	—	**664**	1,208	**1,023**	—	**1,687**	1,208
Impairment	**77,718**	—	**18,633**	—	**—**	—	**96,351**	—
Income tax credit/ (expenses)	**(319)**	(3,068)	**2,342**	55	**37**	(237)	**2,060**	(3,250)
At 30 June 2012 and 2011:								
Segment assets	**33,949**	140,778	**44,230**	63,315	**35,857**	20,942	**114,036**	225,035
Segment liabilities	**3,073**	5,058	**1,318**	3,650	**20,445**	4,228	**24,836**	12,936

	2012	2011
	HK$'000	*HK$'000*
Years ended 30 June 2012 and 2011:		
Reconciliation of reportable segment (loss)/profit, assets and liabilities:		
(Loss)/profit		
Total (loss)/profit of reportable segments	**(135,943)**	4,176
Corporate and other expenses	**(7,660)**	(8,074)
Elimination of inter-companies expenses	**7,106**	7,479
Unallocated income:		
Other income	**6,800**	2,025
Consolidated (loss)/profit for the year	**(129,697)**	5,606
Assets		
Total assets of reportable segments	**114,036**	225,035
Corporate and other assets	**241,962**	242,216
Consolidated total assets	**355,998**	467,251
Liabilities		
Total liabilities of reportable segments	**24,836**	12,936
Corporate and other liabilities	**595**	478
Consolidated total liabilities	**25,431**	13,414

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

	Revenue		Non-current assets		Additions to property, plant and equipment	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**18,800**	86,034	**59,784**	133,160	**27,907**	23,262
Hong Kong and other regions	**6,675**	4,159	**847**	1,145	**6**	—
	25,475	90,193	**60,631**	134,305	**27,913**	23,262

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on other borrowings	**150**	—

7. INCOME TAX CREDIT/(EXPENSE)

	2012	2011
	HK$'000	*HK$'000*
Current tax — The PRC Provision for the year	**(319)**	(3,163)
Deferred tax	**2,379**	(87)
	2,060	(3,250)

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

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. (LOSS)/PROFIT FOR THE YEAR

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

	2012	2011
	HK$'000	*HK$'000*
Amortization of intangible assets	**1,687**	1,208
Depreciation	**5,010**	764
Impairment loss on goodwill	**1,954**	—
Impairment loss on intangible assets	**94,397**	—
Directors' emoluments	**1,242**	1,148
Operating lease charges on land and buildings	**12,665**	5,886
Auditor's remuneration	**600**	550
Cost of inventories sold	**458**	15,203
Loss on disposals of property, plant and equipment	**1,545**	—
Staff costs including directors' emoluments		
Salaries, bonus and other benefits	**15,599**	8,256
Retirement benefits scheme contributions	**3,347**	1,279
	18,946	9,535

9. DIVIDENDS

The Directors do not recommend the payment of a dividend for the Financial Year (2011: Nil).

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the (loss)/profit for the year attributable to owners of the Company of approximately HK$(123,882,000) (2011: profit approximately HK$5,247,000) and the weighted average number of ordinary shares of 12,164,508,062 (2011: 12,164,508,062) in issue during the Financial Year.

Diluted (loss)/earnings per share

No diluted (loss)/earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 30 June 2012 and 30 June 2011.

11. INTANGIBLE ASSETS

The Group

	Permanent exclusive & non-exclusive rights — distribution of gene testing services	**Exclusive rights — distribution of bio-industrial products**	**Research and development — provision of health care management services**	**Total**
	(note a)	*(note b)*	*(note c)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 July 2010	—	—	—	—
Additions	79,718	—	3,195	82,913
Acquisition of a subsidiary	—	17,658	—	17,658
Exchange differences	—	861	74	935
At 30 June and 1 July 2011	79,718	18,519	3,269	101,506
Additions	—	—	3,484	3,484
Exchange differences	—	372	64	436
At 30 June 2012	**79,718**	**18,891**	**6,817**	**105,426**
Accumulated amortization and impairment				
At 1 July 2010	—	—	—	—
Amortization for the year	—	1,208	—	1,208
Exchange differences	—	28	—	28
At 30 June and 1 July 2011	—	1,236	—	1,236
Amortization for the year	—	664	1,023	1,687
Impairment for the year	77,718	16,679	—	94,397
Exchange differences	—	16	(1)	15
At 30 June 2012	**77,718**	**18,595**	**1,022**	**97,335**
Carrying amounts				
At 30 June 2012	**2,000**	**296**	**5,795**	**8,091**
At 30 June 2011	79,718	17,283	3,269	100,270

Notes:

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

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

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

The Group prepares cash flow forecasts approved by the Directors for the next over five years with the residual period using nil growth rate. This rate does not exceed the average long-term growth rate for the relevant markets.

The Group reviewed the value in use of the permanent exclusive & non-exclusive rights for distribution of gene testing services. As at 30 June 2012, the value in use was assessed to be approximately HK$2,000,000 according to the valuation report of Roma Appraisals Limited, an independent valuer to the Group. The rate used in the valuation report to discount the forecast cash flows from these permanent exclusive and non-exclusive rights is 19.83%. Accordingly, the Group made an impairment loss on these intangible asset of approximately HK$77,718,000 for the year ended 30 June 2012.

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

The recoverable amount of these exclusive distribution rights is determined from value in use calculation.

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

The Group prepares cash flow forecasts approved by the Directors for the next 13 years with the residual period using nil growth rate. This rate does not exceed the average long-term growth rate for the relevant markets.

The Group reviewed the value in use of the exclusive distribution rights for the bio-industrial products. As at 31 December 2011, the value in use was assessed to be approximately HK$310,000 according to the valuation report of LCH (Asia-Pacific) Surveyors Limited, an independent valuer to the Group. The rate used in the valuation report to discount the forecast cash flows from these exclusive distribution rights is 16.2%. Accordingly, the Group made an impairment loss on these intangible asset of approximately HK$16,679,000 for the year ended 30 June 2012.

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

12. GOODWILL

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Arising on acquisition of a subsidiary	**—**	1,954

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

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

As mentioned in note 11(b) in this annual results, the Group assessed the value in use of the exclusive distribution rights for the bio-industrial products to be approximately HK$310,000 as at 31 December 2011. After subsequent amortization, the carrying amount of the exclusive distribution rights was approximately HK$296,000 as at 30 June 2012. The goodwill allocated to such exclusive distribution rights was therefore impaired in full for the year ended 30 June 2012.

13. TRADE RECEIVABLES

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

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

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
30 days or less	**20**	10,470
31 to 60 days	**—**	1,202
	20	11,672

As at 30 June 2012 and 2011, no allowance was made for the trade receivables.

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

	2012	2011
	HK$'000	*HK$'000*
Renminbi ("RMB")	**—**	11,616
Hong Kong dollars	**20**	56
	20	11,672

14. TRADE PAYABLES

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

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
30 days or less	**2**	1,301
31 to 60 days	**3**	—
61 to 180 days	**212**	—
Over 180 days	**282**	—
	499	1,301

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

	2012	2011
	HK$'000	*HK$'000*
RMB	**499**	442
Hong Kong dollars	**—**	859
	499	1,301

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

Turnover of the Group for the Financial Year amounted to approximately HK$25.5 million, representing approximately 71.73% decrease from the previous financial year ended 30 June 2011 (the "Previous Financial Year") (approximately HK$90.2 million). Loss attributable to the owners of the Company for the Financial Year was approximately HK$123.9 million, representing a significant and substantial decline of results compared to the profit of approximately HK$5.2 million in the Previous Financial Year.

BUSINESS REVIEW

Distribution of gene testing services

Since 13 December 2010, the Group has obtained the permanent exclusive distribution rights for gene testing services in the regions of the PRC, Hong Kong and Macau, the permanent non-exclusive distribution rights for gene testing services in other regions as well as the right of use of certain logos on gene testing services distributed by the Group. The Group has enjoyed a higher profit margin since then for the distribution of gene testing services.

On 3 May 2011, in view of the significant decrease in turnover generated by the distributors under the franchise agreements, and in order to manage the distribution channels more effectively and to achieve higher profit margin through less selling expenses, the Group entered into the termination agreements with relevant distributors to terminate the said franchise agreements with effect from the same date.

The Group adjusted its operating direction (transformation) at the beginning of this year (2012) through dedicating its sales efforts on professional channels, mainly hospitals and health centres, in lieu of the general public. This led to the slowdown in the sales of the corresponding market division.

For the Financial Year, the turnover arising from the distribution of gene testing services decreased from approximately HK$71.2 million in the Previous Financial Year to approximately HK$22.6 million. This was mainly due to the transitional period brought by the new sales and marketing strategy and the detrimental impact on turnover from the continuing economic downturn. Yet the result of the Group's newly adopted sales and marketing strategy was clearly reflected in the improvement of the gross profit margin, which increased substantially from approximately 41.77% in the Previous Financial Year to approximately 67.17%.

The Board held a conservative view regarding the future performance of this business in view of the high uncertainties and risks of the new sales and marketing strategy adopted in future years. After independent assessment of the value in use of the intangible asset relating to the permanent exclusive and non-exclusive rights for the distribution of gene testing services, the Group made a material impairment loss on the intangible asset at a total amount of approximately HK$77.7 million.

Distribution of bio-industrial products

The Group has obtained the exclusive distribution rights for the distribution of bone chips and bone fat in the PRC for a period of 5 years from 1 January 2010, which would be automatically renewed for another ten years subject to no objection raised by either party on or before 31 December 2014.

During the Financial Year, turnover of the distribution of bio-industrial products significantly decreased from approximately HK$19.0 million in the Previous Financial Year to approximately HK$1.0 million. This was mainly due to the global economic downturn and the keen competition in the industry. Nevertheless, the gross profit margin has slightly increased from approximately 19.78% in the Previous Financial Year to approximately 21.96% in the Financial Year. Due to such unsatisfactory business performance, the Board of Directors held a conservative view regarding the future performance of this business in view of the uncertainties and risks of developed countries' sluggish economies and turbulent global financial markets affecting the economic development of the PRC in next few years. After an independent assessment of the value in use of the intangible asset and goodwill relating to the exclusive distribution rights for the bio-industrial products business, the Group made a material impairment loss on the intangible asset and goodwill after netting off the reversal of a deferred tax liability at a total amount of approximately HK$16.3 million.

Provision of health care management services

The Group's health care management centre, the "United Gene (Shanghai) Health Care Centre" (the "Health Care Centre") which commenced business in September 2011, serves as a high-end health care management and service centre with genome technology as its competitive edge. The operation of the United Gene (Shanghai) Health Care Centre adopts the "4P medical services model" which refers to the predictive, preventive, personalised and participatory medical services model. The Group also extends its services to set up an individualised comprehensive and lifelong health service model. The Group researches, develops and provides further health care management services, such as (i) provision of health care management services, including meridian conditioning, acupuncture, cupping, Chinese medicine treatment consultancy; (ii) provision of exercise physiology treatment consultancy; (iii) provision of physiotherapy and oxygen therapy treatment consultancy; (iv) provision of psychology treatment consultancy; (v) testing of nutrition and metabolism and provision of treatment consultancy; (vi) provision of diet treatment; and (vii) testing for gene mutation.

For the Financial Year, turnover for the provision of health care management services was approximately HK$1.8 million. Due to the time needed for applying for medical licenses and persistent weak consumer sentiment, a gross loss was incurred and the operating loss including start-up costs for the Health Care Centre was approximately HK$22.9 million.

PROSPECTS

Distribution of gene testing services

In the view of market changes and to accommodate the long-term development plans, the Group adjusted its operating direction (transformation) at the beginning of this year (2012) through dedicating its sales efforts on professional channels, mainly hospitals and health centres, in lieu of the general public. The adjustment in business strategy was due to the public consumers having insufficient understanding towards the actual purpose of gene testing and limited knowledge regarding the concept of comprehensive health care management, which led to the slowdown in the sales of the corresponding market division. Meanwhile, in order to accommodate the development of the health care management business of the Group, which is based on gene-testing, after thorough market research, analysis of national policies as well as market analysis, the management of the Group expects that the Ministry of Health of the PRC will gradually be more open to gene testing projects in hospitals, and has therefore adjusted its operation strategy. Since 2012, departments including the National Development and Reform Commission and the Ministry of Health have listed gene testing into the catalogue of charged hospital examination items. The Group has also adjusted its operation strategy through dedicating its sales efforts on professional channels, mainly hospitals and health centres, in lieu of the general public and sold more diversified and targeted gene testing products, such as gene testing products regarding medication guides, gene testing aided diagnosis and screening products for hereditary diseases, in order to strengthen its sales in professional channels.

The management of the Group believes that the sales in professional channels are characterised as stable and sustainable, and that both the necessity and professional credibility of the gene testing products sold in these channels will increase significantly. The management of the Group is confident that the sales of gene testing products will survive the trough and show gradual improvement soon after.

Distribution of bio-industrial products

In December 2010, CNL (Pinghu) commenced the construction of the production plant, research and development workshop and office in Pinghu, the PRC. It developed hydrolyzed gelatin under a team of experts including Mr. A. H. Grobben, who is from the Netherlands, with expertise in hydrolyzed gelatin and bone fat refining technology.

Since CNL (Pinghu) is in the process of litigation and its plant was unlawfully occupied by the constructor, the production and launching schedules of products are delayed. The Group is currently endeavoring to resolve the litigation and the above problems via legal means, with a view to commence production as soon as possible. In the long run, the Group will continue to explore other opportunities for further growth in the bio-industrial products business through strategic cooperation with the world's leading biotechnology enterprises, whether in the aspects of business, product or technology. The Group will also strive to build a sound product portfolio which offers high profitability potential.

Provision of health care management services

After the Group established the Health Care Centre, the Group has strengthened the marketing and promotion plans for the membership services and benefits of the Health Care Centre.

As the first professional comprehensive health care management services provider which focuses on gene testing in the PRC, the health care management services provided by the Health Care Centre satisfied the current supply gap in high-quality and personalised health care management services in the PRC. The professional medical team and outpatient department under the Health Care Centre are committed to providing high-end and quality services such as physical examination services, professional gene testing analysis, recuperation with Chinese medicine and guidance in sports rehabilitation. As at September 2012, the Health Care Centre has successfully obtained a medical license, enabling it to expand and strengthen its marketing and promotion channels. It is expected that the turnover of the Health Care Centre will gradually stabilize and improve.

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

FINANCIAL REVIEW

Capital structure, Liquidity, Financial resources

Capital structure

	2012	2011
	HK$'000	*HK$'000*
Authorized:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
12,164,508,062 ordinary shares of HK$0.01 each	**121,645**	121,645

As at 30 June 2012, the total borrowings of the Group were approximately HK$11.0 million (30 June 2011: nil) which consisted of a short term loan from an independent third party amounting to approximately HK$4.9 million and a loan from a non-controlling shareholder of a subsidiary of the Group, Longmark (Shanghai) HealthCare Limited ("Longmark (Shanghai)"), amounting to approximately HK$6.1 million.

Liquidity and financial resources

As at 30 June 2012, the Group had bank and cash balances of approximately HK$170.0 million (30 June 2011: approximately HK$222.3 million).

The ratio of current assets to current liabilities of the Group was 12.15 as at 30 June 2012 compared to 31.89 as at 30 June 2011. The Group's gearing ratio as at 30 June 2012 was 0.07 (30 June 2011: 0.03) which is calculated based on the Group's total liabilities of approximately HK$25.4 million (30 June 2011: approximately HK$13.4 million) and the Group's total assets of approximately HK$356.0 million (30 June 2011: approximately HK$467.3 million).

During the Financial Year, the Group had invested in financial assets with an aim to increase and balance return on surplus cash. These include time deposits at banks and listed bonds which can be readily converted to liquid funding at any time on the securities market. The Group places importance to security, short-term commitment and availability of the surplus cash and cash equivalents.

Significant investments, acquisition and disposals

On 13 January 2012, the Group entered into a conditional injection of capital agreement (the "Injection Agreement") with Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("Jilin Extrawell"). Jilin Extrawell is an indirect wholly-owned subsidiary of the Extrawell Pharmaceutical Holdings Limited ("Extrawell Pharmaceutical"), a company listed in The Stock Exchange. Since Dr. Mao Yumin ("Dr. Mao"), who is the honorary chairman, chief scientific adviser and a ultimate controlling shareholder of the Company, is also the chairman and a substantial shareholder of Extrawell Pharmaceutical, Jilin Extrawell is a connected person of the Company and the entering into the Injection Agreement constitutes a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Pursuant to the Injection Agreement, Jilin Extrawell agreed to inject RMB2.5 million by cash for 20% of the registered capital of a subsidiary of the Group, Longmark (Shanghai) as enlarged after such injection of capital (the "Injection of Capital"), within three months after signing of the Injection Agreement. Longmark (Shanghai) is currently operating the Health Care Centre. The Injection of Capital constitutes a deemed disposal by the Group of 20% equity interest of Longmark (Shanghai) within the meaning of Rule 14.29 of the Listing Rules. The completion of the Injection Agreement took place in April 2012.

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

Charges on the Group's assets

As at 30 June 2012, the Group and the Company did not have any charges on its assets (30 June 2011: nil).

Contingent liabilities

The Directors were not aware of any significant contingent liabilities of the Group and the Company as at 30 June 2012 (30 June 2011: nil).

Foreign exchange exposure

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

Number and remuneration of employees

As at 30 June 2012, the Group had 218 (30 June 2011: 149) full-time employees, most of whom were working in the Company's subsidiaries in the PRC. It is the Group's policy that remuneration of the employees, including the Directors, is in line with the market and commensurate with the responsibilities. Discretionary year-end bonuses are payable to the employees based on individual performance. Other employee benefits include medical insurance, retirement schemes, training programmes and education subsidies.

Total staff costs, including the Directors' remuneration, for the Financial Year amounted to approximately HK$20.0 million (2011: approximately HK$11.1 million) inclusive of HK$1.1 million (2011: approximately HK$1.6 million) staff costs capitalized in the research and development costs.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with all the code provisions as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange (the "Code") (and the new code provisions since 1st April 2012, when the amendments to the Code became effective) for the Financial Year, except for the deviations discussed below.

Code provision A.2.1

The position of chief executive officer remains vacant and the Company is looking for a suitable person to assume this role.

Code provision A.4.1

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. All Directors have confirmed that they have fully complied with the Model Code throughout the Financial Year. No incident of non-compliance was noted by the Company in the Financial Year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is composed of three independent non-executive Directors. It reviews with the management of the accounting policies and practices adopted by the Group and discusses the auditing, internal control and financial reporting matters. The Group's audited financial statements for the Financial Year have been reviewed by the Audit Committee.

SCOPE OF WORK OF ANDA CPA LIMITED

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

By Order of the Board
United Gene High-Tech Group Limited
Lee Nga Yan
Director

Hong Kong, 28 September 2012

The Board comprises Ms. Jiang Nian (chairman & non-executive Director), Ms. Lee Nga Yan (executive Director), Dr. Guo Yi (executive Director), Ms. Xiao Yan (non-executive Director), Ms. Wu Yanmin (non-executive Director), Ms. Chen Weijun (independent non-executive Director), Dr. Zhang Zhihong (independent nonexecutive Director) and Mr. Wang Rongliang (independent non-executive Director).