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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 2011

The board (the "Board") of directors (the "Directors") of United Gene High-Tech Group Limited (the "Company") is pleased to announce the audited consolidated annual financial information of the Company and its subsidiaries (the "Group") for the year ended 30 June 2011 (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 2011

		2011	2010
	Notes	***HK$'000***	*HK$'000*
Turnover	*4 & 6*	**90,193**	483,947
Cost of sales		**(56,686)**	(442,967)
Gross profit		**33,507**	40,980
Other income	*5*	**5,180**	247
Selling expenses		**(2,640)**	(9,709)
Administrative expenses		**(27,352)**	(18,026)
Profit from operations		**8,695**	13,492
Gain on deconsolidation of the subsidiaries	*7*	**161**	–
Finance costs	*8*	**–**	(184)

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Profit before tax		**8,856**	13,308
Income tax expense	*9*	**(3,250)**	(2,132)
Profit for the year	*10*	**5,606**	11,176
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**2,033**	102
Fair value changes of available-for-sale financial assets		**508**	–
Other comprehensive income for the year, net of tax		**2,541**	102
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,147**	11,278
Profit/(loss) attributable to:			
Owners of the Company		**5,247**	11,262
Non-controlling interests		**359**	(86)
		5,606	11,176
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**7,574**	11,355
Non-controlling interests		**573**	(77)
		8,147	11,278
Earnings per share	*12*		
Basic and Diluted *(HK cents per share)*		**0.04**	0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	13	**32,081**	2,115
Intangible assets	14	**100,270**	–
Goodwill	15	**1,954**	–
Prepayments, deposits and other receivables	16	**–**	75,200
		134,305	77,315
Current assets			
Inventories		**118**	569
Prepayments, deposits and other receivables	16	**21,654**	5,148
Available-for-sale financial assets	17	**77,235**	–
Trade receivables	18	**11,672**	99,426
Bank and cash balances		**222,267**	344,224
		332,946	449,367
Current liabilities			
Trade payables	19	**1,301**	87,077
Accruals and other payables		**7,251**	7,257
Current tax liabilities		**1,890**	2,741
		10,442	97,075
Net current assets		**322,504**	352,292
Total assets less current liabilities		**456,809**	429,607
Non-current liabilities			
Deferred tax liabilities		**2,972**	–
NET ASSETS		**453,837**	429,607
Capital and reserves			
Share capital		**121,645**	121,645
Reserves		**314,879**	307,497
Equity attributable to owners of the Company		**436,524**	429,142
Non-controlling interests		**17,313**	465
TOTAL EQUITY		**453,837**	429,607

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. BASIS OF PREPARATION

Deconsolidation of the subsidiaries

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

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

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

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

4. TURNOVER

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

5. OTHER INCOME

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

6. SEGMENT INFORMATION

The Group has four reportable segments as follows:

(a) distribution of pharmaceutical products

(b) distribution of gene testing services

(c) distribution of bio-industrial products

(d) provision of health care management services

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

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

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

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

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

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

7. GAIN ON DECONSOLIDATION OF THE SUBSIDIARIES

	2011	2010
	HK$'000	*HK$'000*
Gain on deconsolidation of the subsidiaries	**161**	–

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

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

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

8. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans	**–**	184

9. INCOME TAX EXPENSE

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

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

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

10. PROFIT FOR THE YEAR

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

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

11. DIVIDENDS

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

12. EARNINGS PER SHARE

Basic earnings per share

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

Diluted earnings per share

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

13. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the Financial Year, the movement for the cost of the property, plant and equipment was mainly inclusive of acquisition of subsidiaries and additions to property, plant and equipment of approximately HK$8,268,000 and HK$23,262,000 (2010: approximately HK$NIL and HK$1,330,000) respectively. The additions to property, plant and equipment was mainly the construction in progress for the production plant of the bio-industrial products business.

14. INTANGIBLE ASSETS

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

Notes:

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

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

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

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

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

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

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

15. GOODWILL

	2011	2010
	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 ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to the distribution of bio-industrial products.

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

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

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

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

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Notes:

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

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

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011	2010
	HK$'000	*HK$'000*
Bonds at fair value		
Listed in Hong Kong	**5,071**	–
Listed outside Hong Kong	**72,164**	–
	77,235	–

All the above bonds are classified as current assets.

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

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

18. 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:

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

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

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

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

19. TRADE PAYABLES

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

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

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

RMB	**442**	9,072
Hong Kong dollars	**859**	78,005
	1,301	87,077

20. CONTINGENT LIABILITIES

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

21. COMMITMENTS

(a) Lease commitments

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

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

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

(b) Capital commitments

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

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

Turnover of the Group for the Financial Year amounted to approximately HK$90.2 million, representing approximately 81.36% significant decrease from previous financial year ended 30 June 2010 (the "Previous Financial Year") (approximately HK$483.9 million). Profit attributable to the owners of the Company for the Financial Year was approximately HK$5.2 million, representing a decrease of approximately HK$6.1 million compared to that of approximately HK$11.3 million in the Previous Financial Year.

BUSINESS REVIEW

Distribution of gene testing services

On 13 December 2010, the acquisition (the "Acquisition") of the entire equity interests in Fudan Health Guang Dong Ltd. ("Fudan Guang Dong") and Fudan Health International (HK) Limited ("Fudan HK") was completed and both Fudan Guang Dong and Fudan HK have since become wholly owned subsidiaries of the Company.

After completion of the Acquisition, the Group obtained the permanent exclusive distribution rights for gene testing services in the PRC, Hong Kong and Macau, the permanent non-exclusive distribution rights in the other regions as well as the right of use of certain logos on gene testing services distributed by the Group. As the cost of gene testing services is much lower than previously obtained under the original non-exclusive arrangement, the Group has enjoyed a higher profit margin since the Acquisition.

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 by reducing the selling expenses, the Group entered into five Termination Agreements with relevant Distributors to terminate the Franchise Agreements with effect from the same date. Details of the Franchise Agreements and the Termination Agreements are set out in note 16 to the Group's audited consolidated annual financial information of this announcement.

The Group has begun to segment its market geographically and to establish marketing and distribution channels in the PRC which are under its direct supervision and management since March 2010. During the Financial Year, distributors for each market segment have been engaged and marketing policies together with measures, which will be constantly reviewed and fine-tuned in response to the varying market factors in different market segment, have been drawn up. In addition, to ensure the quality of services provided by the distributors, the Group would provide comprehensive training on gene testing services to the distributors, particularly on interpretation of the test report.

For the Financial Year, the turnover of distribution of gene testing services decreased from approximately HK$253 million in the Previous Financial Year to approximately HK$71.2 million. This was mainly due to the significant drop of turnover of the Distributors under the Franchise Agreements, and the transitional period brought by the change of market segmentation since March 2010. Nevertheless, the effect of the Group's newly adopted sales and marketing strategy as well as the Acquisition was clearly reflected in the improvement of the Group's gross profit margin, which increased substantially from approximately 14.71% in the Previous Financial Year to approximately 41.77%. The selling expenses also dropped approximately HK$6.3 million to HK$2.6 million compared with the Previous Financial Year.

Sale of pharmaceutical products of the CJV

In view of the prolonged succession problem of the CJV, First Jumbo resolved to voluntarily wind up on 8 March 2011. No turnover had been generated by the CJV since July 2010. Liquidators had been appointed to carry out the winding-up of First Jumbo and they would realise its assets where appropriate. The Group recorded a gain of approximately HK$161,000 upon deconsolidation of First Jumbo and its subsidiaries.

Distribution of bio-industrial products

Subsequent to the acquisition of CNL (Pinghu), which owns the exclusive distribution rights for distribution of bone chips and bone fat in the PRC for a period of 5 years commencing from 1 January 2010 (renewable for another ten years subject to no objection is raised by either party before 31 December 2014), the Group has been engaged in the trading of biological raw materials through CNL (Pinghu) since July 2010. During the Financial Year, turnover of bio-industrial products generated from wholesale of bone chips in the PRC was approximately HK$19 million, and the gross profit margin was approximately 19.78%.

Provision of health care management services

For the Financial Year, the Group incurred net expenses of approximately HK$3.1 million for the start-up of health care management services projects in Shanghai, the PRC. As these health care management services projects had not yet commenced operation during the Financial Year, no turnover had been generated by the Group.

PROSPECTS

Distribution of gene testing services

The Directors believe that the acquisition of Fudan Guang Dong would substantially increase the Group's market share in the distribution of gene testing services under the permanent exclusive and non-exclusive distribution rights. The Group will continue to diversify its business within the PRC and other regions and to expand its market share in distribution of gene testing services. The Group has commenced establishing distribution channels in Macau and other regions. Currently, the Group has set up different marketing policies and measures for its different geographical market segments in response to their varying market factors and for their further development. Moreover, in order to achieve higher profit margin, the Group has been frequently reviewing of the performance of each distribution channel. The Directors are confident that the Group would be able to achieve more sustainable and stable growth in this business sector.

The Group has started establishing laboratories for the manufacture, research and development of gene testing products in Hong Kong and Shanghai, the PRC after the acquisition of Fudan HK. Fudan HK entered into a deed of gift on 8 November 2010, pursuant to which Fudan HK was delivered at nil consideration certain information and documents in relation to gene testing services, namely (i) 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 (ii) technology and management system standards for laboratory of the grantor of the gene testing services (inclusive of technology standards, quality control manual, standard operation procedure ("SOP") for management, SOP for experiments). The Group will continue to strengthen its ongoing research and development capacity in respect of gene testing products.

Distribution of bio-industrial products

In December 2010, CNL (Pinghu) commenced the construction of production plant, research and development laboratories and office in Pinghu, the PRC. With a team of experts including Mr. A. H. Grobben, who is a Dutch expert in hydrolyzed gelatin and bone fat refining technology, CNL (Pinghu) is expected to start production of hydrolyzed gelatin around March 2012. The total estimated costs inclusive of construction, production equipments and renovation costs would be approximately RMB40 million. Looking ahead, the Group will continue to explore other opportunities for further growth in bio-industrial business through strategic cooperation with the world's leading biotechnology enterprises, whether in terms of business, product or technology. In particular, the Group strives to build a sound product portfolio which offers high profitability potential.

Provision of health care management services

The Group is committed to providing high-end health care management services in respect of disease prevention and treatment to the public. The Group's health care management centre, the "United Gene (Shanghai) 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. Operation of the United Gene (Shanghai) Health Care Centre would adopt the "4P medical services model" which refers to predictive, preventive, personalised and participatory medical services model. The Group would also extend its services to set up an individualised comprehensive and lifelong health service model. The Group would research, develop and provide further health care management services, such as (i) testing of nutrition and metabolism and provision of treatment consultancy; (ii) provision of diet treatment; (iii) provision of medicine treatment consultancy and (iv) testing for gene mutation. The Directors believe that the establishment of the United Gene (Shanghai) Health Care Centre could help in enhancing the Group's branding in the health care management and service industry, widening the Group's business model and strengthening its profitability in the forthcoming years.

The Group intends to set up more health care centres in other cities of the PRC, which would be funded by the net proceeds raised from the rights issue of the Company in May 2010.

FINANCIAL REVIEW

Capital structure, Liquidity, Financial resources

Capital structure

	2011	2010
	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 2011, the Group had no bank borrowings or other long term financing (30 June 2010: nil).

Liquidity and financial resources

As at 30 June 2011, the Group had bank and cash balances of approximately HK$222.3 million (30 June 2010: approximately HK$344.2 million).

The ratio of current assets to current liabilities of the Group was 31.89 as at 30 June 2011 compared to 4.63 as at 30 June 2010. The Group's gearing ratio as at 30 June 2011 was 0.03 (30 June 2010: 0.18) which is calculated based on the Group's total liabilities of approximately HK$13.4 million (30 June 2010: approximately HK$97.1 million) and the Group's total assets of approximately HK$467.3 million (30 June 2010: approximately HK$526.7 million).

During the Financial Year, the Group had invested in financial assets with an aim to increase and balance return on surplus cash in accordance with its treasury policy. They were time deposits at banks with high credit ratings and listed financial assets which can be readily converted to liquid funding at any time on the securities market. The Group attaches importance to security, short-term commitment and availability of the surplus cash and cash equivalents.

Significant investments

On 9 July 2010, the Group entered into a share transfer agreement and a supplemental agreement with certain independent third parties to purchase a total of 70% equity interest in CNL (Pinghu), and the Group injected further capital investments into CNL (Pinghu) during the Financial Year. A total amount of approximately HK$40.4 million was invested by the Group.

On 8 November 2010, the Group entered into an acquisition agreement with two connected parties, namely, United Gene Health Group Limited and Fudan Health International Limited, to acquire the entire equity interests of both Fudan Guang Dong and Fudan HK at a total consideration of HK$79,533,051 by reference to (i) the valuation of 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 in the other regions and the right of use of certain logos granted to Fudan Guang Dong as at 8 November 2010; and (ii) the net assets value of Fudan HK as at 13 December 2010 respectively. The Acquisition was approved by independent shareholders of the Company and was completed on 8 December and 13 December 2010 respectively.

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

Details of future plans for material investments and their expected sources of funding in the coming year are stated in the paragraph headed "Provision of health care management services" and "Distribution of bio-industrial products" under the section headed "PROSPECTS".

Charges on the Group's assets

As at 30 June 2011, the Group did not have any charges on its assets (30 June 2010: 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 monetary assets against monetary liabilities, and foreign currency revenue against foreign currency expenditure. The Group did not use any financial instrument to hedge against foreign currency risk. The Group will monitor its foreign currency exposure closely and consider hedging foreign currency exposure should the need arise.

Number and remuneration of employees

As at 30 June 2011, the Group had 149 (30 June 2010: 85) 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 Directors' remuneration for the Financial Year amounted to approximately HK$11.1 million (2010: approximately HK$7.7 million) inclusive of 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 CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange 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, 27 September 2011

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Jiang Jian and Ms. Lee Nga Yan, three non-executive Directors, namely, Ms. Jiang Nian (the Chairman), Ms. Wu Yanmin and Dr. Guo Yi, and three independent non-executive Directors, namely, Ms. Chen Weijun, Dr. Zhang Zhihong and Mr. Wang Rongliang.