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

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

(Stock Code: 399)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE NINE MONTHS ENDED 31 MARCH 2014

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 nine months ended 31 March 2014 (the "**Financial Period**") together with the comparative figures for the twelve months ended 30 June 2013 (the "**Previous Financial Year**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 March 2014

	Notes	**1.7.2013 to 31.3.2014** ***HK$'000***	1.7.2012 to 30.6.2013 *HK$'000*
Continuing operations			
Revenue	*4*	**29,744**	7,747
Cost of sales and services		**(30,316)**	(3,339)
Gross (loss) profit		**(572)**	4,408
Other income	*5*	**4,867**	7,056
Other gains and losses, net	*5*	**(512,013)**	(429)
Selling expenses		**(201)**	(1,284)
Administrative expenses		**(26,266)**	(44,136)
Impairment loss on intangible assets		**–**	(2,274)
Other expenses		**(14,061)**	(10,369)
Share of results of associates	*9*	**(3,987)**	–
Finance costs		**(5,105)**	(165)
Loss before tax		**(557,338)**	(47,193)
Income tax credit		**–**	10

	Note	**1.7.2013 to 31.3.2014** *HK$'000*	1.7.2012 to 30.6.2013 *HK$'000*
Loss for the period/year from continuing operations	*6*	**(557,338)**	(47,183)
Discontinued operation			
Profit (loss) for the period/year from discontinued operation		**140**	(42,474)
Loss for the period/year		**(557,198)**	(89,657)
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value changes of available-for-sale financial assets		**530**	(214)
Reclassification adjustments upon disposal of available-for-sale financial assets		**116**	55
Exchange differences on translation of foreign operation		**(65)**	911
Reclassification adjustments for the cumulated exchange reserve upon disposal/loss of control of subsidiaries		**(1,306)**	–
		(725)	752
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation on land and buildings		**2,023**	1,992
Deferred taxation arising on revaluation of land and buildings		**(506)**	(492)
		1,517	1,500
Other comprehensive income for the period/year		**792**	2,252
Total comprehensive expense for the period/year		**(556,406)**	(87,405)

	Note	1.7.2013 to 31.3.2014 HK$'000	1.7.2012 to 30.6.2013 HK$'000
(Loss) profit for the period/year attributable to owners of the Company:			
– from continuing operations		**(555,495)**	(45,270)
– from discontinued operation		**5,148**	(27,569)
		(550,347)	(72,839)
Loss for the period/year attributable to non-controlling interests:			
– from continuing operations		**(1,843)**	(1,913)
– from discontinued operation		**(5,008)**	(14,905)
		(6,851)	(16,818)
		(557,198)	(89,657)
Total comprehensive expense for the period/year attributable to:			
Owners of the Company		**(549,555)**	(70,724)
Non-controlling interests		**(6,851)**	(16,681)
		(556,406)	(87,405)
		HK cents	*HK cents*
Loss per share	*8*		
From continuing and discontinued operations			
Basic		**(50.58)**	(9.38)
Diluted		**(50.58)**	(9.38)
From continuing operations			
Basic		**(51.06)**	(5.83)
Diluted		**(51.06)**	(5.83)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	31.3.2014 HK$'000	30.6.2013 HK$'000
Non-current assets			
Property, plant and equipment		**37,259**	41,856
Interests in associates	*9*	**184,500**	–
Investments in convertible bonds	*10*	**208,940**	–
Available-for-sale financial assets		**–**	101,182
		430,699	143,038
Current assets			
Inventories – finished goods		**61**	74
Trade receivables	*11*	**11,411**	3,204
Prepayments, deposits and other receivables		**1,125**	5,211
Available-for-sale financial assets		**105,871**	1,258
Bank balances and cash			
– cash and cash equivalents		**192,351**	235,253
– other bank balances		**–**	120,000
		310,819	365,000
Current liabilities			
Trade payables	*12*	**4,817**	3,155
Accruals and other payables		**10,318**	15,772
Receipt in advance from customer		**–**	6,212
Amount due to a shareholder		**–**	15,079
Loan from a non-controlling shareholder of a subsidiary		**–**	6,910
		15,135	47,128
Net current assets		**295,684**	317,872
Total assets less current liabilities		**726,383**	460,910

	Note	**31.3.2014**	30.6.2013
		HK$'000	*HK$'000*
Non-current liabilities			
Convertible bonds	*13*	**52,228**	11,825
Deferred tax liabilities		**1,934**	1,585
Loan from a non-controlling shareholder of a subsidiary		**–**	3,138
		54,162	16,548
NET ASSETS		**672,221**	444,362
Capital and reserves			
Share capital		**11,362**	8,407
Reserves		**651,010**	444,930
Equity attributable to owners of the Company		**662,372**	453,337
Non-controlling interests		**9,849**	(8,975)
TOTAL EQUITY		**672,221**	444,362

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the nine months ended 31 March 2014

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As set out in the announcement of the Company issued on 28 February 2014, the financial year end date of the Company was changed from 30 June to 31 March to align the Company's financial year end date with that of the Company's principal listed associate which is the Group's substantial investment. Accordingly, the consolidated financial statements for current accounting period cover a period of nine months from 1 July 2013 to 31 March 2014. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve-month period from 1 July 2012 to 30 June 2013 and therefore may not be comparable with amounts shown for the current period.

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

Application of new and revised HKFRSs

In the current period, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current period:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance. HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) Int – 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors reviewed and assessed the Group's investees in accordance with the requirements of HKFRS 10. The Directors concluded that there was no material impact to the Group's consolidated financial statements for the adoption of HKFRS 10.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements regarding interests in associates.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to few exceptions.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[6]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[6]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[2]
HKFRS 9	Financial instruments[3]
HKFRS 14	Regulatory deferral accounts[5]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

6 Effective for annual periods beginning on or after 1 January 2016.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

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

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

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

The Directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have a material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies to be highlighted in this preliminary announcement are set out below.

Business combinations

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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 the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss, unless the relevant asset is carried at a revalued amount under other standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

When allocating an impairment loss to individual assets within a CGU, the carrying amount of an individual asset should not be reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable), and zero. If this results in an amount being allocated to an asset which is less than its pro rata share of the impairment loss, the excess is allocated to the remaining assets within the CGU on a pro rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. REVENUE AND SEGMENT INFORMATION

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

	1.7.2013 to 31.3.2014	1.7.2012 to 30.6.2013
	HK$'000	*HK$'000*
Provision of genetic testing services	**93**	4,563
Trading of beauty equipment and products	**29,651**	3,184
	29,744	7,747

The Group has four reportable and operating segments as follows:

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

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

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

(d) securities investment in Hong Kong and outside Hong Kong

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

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

Segment (loss) profit represents the loss incurred by or profit earned from each segment without allocation of corporate and other expenses and other income, gains and losses, net. Segment assets are allocated other than corporate assets, interests in associates, investments in convertible bonds, restricted bank balances and bank balances and cash. Segment liabilities are allocated other than corporate liabilities, amount due to a shareholder and convertible bonds.

	Provision of genetic testing services		Distribution of bio-industrial products		Trading of beauty equipment and products		Securities investment		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations										
Nine months ended 31 March 2014 and twelve months ended 30 June 2013										
Revenue from external customers	**93**	4,563	**–**	–	**29,651**	3,184	**–**	–	**29,744**	7,747
Segment (loss) profit	**(12,129)**	(26,898)	**(2,361)**	(3,485)	**459**	42	**2,901**	4,590	**(11,130)**	(25,751)
Additional disclosures for operating segments:										
Additions to property, plant and equipment	**431**	8	**4**	–	**–**	–	**–**	–	**435**	8
Interest income	**–**	–	**–**	–	**–**	–	**3,091**	4,645	**3,091**	4,645
Depreciation of property, plant and equipment	**2,016**	1,363	**806**	1,044	**3**	–	**–**	–	**2,825**	2,407
Amortisation of intangible assets	**–**	–	**–**	24	**–**	–	**–**	–	**–**	24
Impairment loss on intangible assets	**–**	2,000	**–**	274	**–**	–	**–**	–	**–**	2,274
Income tax credit	**–**	–	**–**	10	**–**	–	**–**	–	**–**	10
At 31 March 2014 and 30 June 2013										
Segment assets	**1,148**	2,705	**36,660**	35,228	**11,392**	3,207	**105,871**	102,440	**155,071**	143,580
Segment liabilities	**241**	12,833	**9,190**	4,955	**4,885**	3,092	**–**	–	**14,316**	20,880

	1.7.2013 to 31.3.2014	1.7.2012 to 30.6.2013
	HK$'000	*HK$'000*

Reconciliation of reportable segment loss, assets and liabilities:

Segment loss		
Total segment loss	**(11,130)**	(25,751)
Corporate and other expenses	**(31,194)**	(22,520)
Share of results of associates	**(3,987)**	–
Unallocated other income, gains and losses, net	**(511,027)**	1,088
Consolidated loss for the period/year from continuing operations	**(557,338)**	(47,183)

	31.3.2014	30.6.2013
	HK$'000	*HK$'000*
Assets		
Total segment assets	**155,071**	143,580
Assets relating to discontinued operation	**–**	7,597
Interests in associates	**184,500**	–
Investments in convertible bonds	**208,940**	–
Corporate and other assets	**193,007**	356,861
Consolidated total assets	**741,518**	508,038
Liabilities		
Total segment liabilities	**14,316**	20,880
Liabilities relating to discontinued operation	**–**	29,456
Convertible bonds	**52,228**	11,825
Corporate and other liabilities	**2,753**	1,515
Consolidated total liabilities	**69,297**	63,676

Geographical information

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

	Additions to property, plant and equipment		Revenue		Non-current assets (excluding financial instruments and interests in associates)	
	1.7.2013 to 31.3.2014	1.7.2012 to 30.6.2013	**1.7.2013 to 31.3.2014**	1.7.2012 to 30.6.2013	**31.3.2014**	30.6.2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**82**	42	**29,651**	3,204	**103**	679
The PRC	**477**	14,489	**93**	4,543	**37,156**	41,177
	559	14,531	**29,744**	7,747	**37,259**	41,856

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

Information about major customers

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

	1.7.2013 to 31.3.2014 *HK$'000*	1.7.2012 to 30.6.2013 *HK$'000*
Customer A[1]	**–**	4,450
Customer B[2]	**17,974**	1,892
Customer C[2]	**11,677**	1,292

1 Revenue from provision of genetic testing services.

2 Revenue from trading of beauty equipment and products.

5. OTHER INCOME/OTHER GAINS AND LOSSES, NET

	1.7.2013 to 31.3.2014 *HK$'000*	1.7.2012 to 30.6.2013 *HK$'000*
Other income		
Continuing operations		
Interest income from bank	**789**	1,430
Interest income from available-for-sale financial assets	**3,091**	4,645
Sundry income	**5**	33
Refund of business tax *(Note)*	**31**	948
Effective interest income from investment in convertible bonds	**951**	–
	4,867	7,056

Note: During the nine months ended 31 March 2014 and twelve months ended 30 June 2013, the PRC government authorities have granted a business tax refund to a subsidiary of the Company, 聯合基因（上海）健康管理服務有限公司 ("**United Gene (Shanghai)**"), for the provision of genetic testing services in the PRC.

	1.7.2013 to 31.3.2014	1.7.2012 to 30.6.2013
	HK$'000	*HK$'000*
Other gains and losses, net		
Continuing operations		
Gain on disposal of subsidiaries	**12,998**	–
Change in fair value of derivative components of investments in convertible bonds *(Note 10)*	**(34,511)**	–
Loss on acquisition of investments in convertible bonds *(Note 10)*	**(204,493)**	–
Impairment loss on interest in an associate *(Note 9)*	**(285,815)**	–
Net loss on disposal of available-for-sale financial assets	**(116)**	(55)
Net foreign exchange loss	**–**	(374)
Loss on written off/disposals of property, plant and equipment	**(76)**	–
	(512,013)	(429)

6. LOSS FOR THE PERIOD/YEAR

	1.7.2013 to 31.3.2014	1.7.2012 to 30.6.2013
	HK$'000	*HK$'000*
Loss for the period/year from continuing operations has been arrived at after charging the following:		
Auditor's remuneration	**1,850**	780
Amortisation of intangible assets (including in cost of sales and services)	**–**	24
Depreciation of property, plant and equipment	**2,870**	3,806
Rental expense for premises under operating leases	**3,277**	6,312
Cost of inventories recognised as an expense	**28,788**	3,344
Provision for litigation and legal costs (included in other expenses)	**3,800**	7,788
Staff costs inclusive of directors' emoluments		
Salaries, bonus and other benefits	**9,010**	8,664
Retirement benefits scheme contributions	**1,946**	1,865
	10,956	10,529

7. DIVIDENDS

The Directors do not recommend the payment of a dividend for the nine months ended 31 March 2014 (twelve months ended 30 June 2013: nil).

8. LOSS PER SHARE

From continuing and discontinued operations

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

Loss

	1.7.2013 to 31.3.2014	1.7.2012 to 30.6.2013
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share (Loss for the period/year attributable to owners of the Company)	**(550,347)**	(72,839)

Number of shares

	1.7.2013 to 31.3.2014	1.7.2012 to 30.6.2013
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,088,018**	776,742

The weighted average numbers of ordinary shares for the calculation of the basic and diluted loss per share for the twelve months ended 30 June 2013 have been adjusted to reflect the impact of the rights issue in August 2012 and the impact of the share consolidation in January 2013.

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

From continuing operations

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

	1.7.2013 to 31.3.2014 *HK$'000*	1.7.2012 to 30.6.2013 *HK$'000*
Loss figures are calculated as follows:		
Loss for the period/year attributable to owners of the Company	**(550,347)**	(72,839)
Less: Profit (loss) for the period/year from discontinued operation	**(5,148)**	27,569
Loss for the purpose of basic and diluted loss per share from continuing operations	**(555,495)**	(45,270)

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

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is HK$0.48 cent per share (twelve months ended 30 June 2013: basic and diluted loss per share of HK$3.55 cents per share), which is based on the profit for the period from the discontinued operation of HK$5,148,000 (twelve months ended 30 June 2013: loss for the year of HK$27,569,000) and the denominators detailed above for both basic and diluted loss per share.

9. INTERESTS IN ASSOCIATES

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

As at 31 March 2014, the Directors are in the process of carrying out the purchase price allocation for the acquisition of Extrawell. Accordingly, the interest in Extrawell is at, and the Group's application of equity method accounting are based on, provisional values subject to the finalisation of the valuation.

As a result of the change in the composition of the board of directors and the percentage of voting in shareholders' and board of directors' meetings, the Group is no longer in a position to exercise control over Longmark (Shanghai). Since then, Longmark (Shanghai) and its wholly-owned subsidiary, Longguan, ceased to be subsidiaries of the Group and become associates.

	31.3.2014	30.6.2013
	HK$'000	*HK$'000*
Cost of investment in associates		
– Listed in Hong Kong *(Note a)*	**474,302**	–
– Unlisted	**–**	–
Share of post-acquisition losses and other comprehensive expense	**(3,987)**	–
Impairment loss on interest in associates *(Note b)*	**(285,815)**	–
	184,500	–
Fair value of listed investments	**184,500**	–

Notes:

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

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

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

Name of associates	Place of incorporation/ operation	Principal place of operation	Class of shares held	Proportion of voting power held by the Company		Proportion of nominal value of issued capital held by the Company		Principal activity
				31.3.2014	30.6.2013	**31.3.2014**	30.6.2013	
Extrawell Pharmaceutical Holdings Limited	Bermuda	PRC	Ordinary shares	**18.83%**	N/A	**18.83%**	N/A	Development, manufacture and sale of pharmaceutical products
Longmark (Shanghai)	PRC	PRC	Registered capital	**50.02%**	N/A	**50.02%**	N/A	Provision of health care management services
上海龍冠門診部有限公司	PRC	PRC	Registered capital	**50.02%**	N/A	**50.02%**	N/A	Provision of health care management services

10. INVESTMENTS IN CONVERTIBLE BONDS

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

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

The acquisition of Sale CB-I was completed on 25 October 2013. On initial recognition, the fair value of the debt component of HK$12,294,000 is determined using the prevailing market interest rate of similar non-convertible debts and is carried at amortised cost subsequently. The effective interest rate is 18.33%. The fair value of the embedded conversion option of HK$230,206,000 and HK$195,695,000 as at the acquisition date of 25 October 2013 and 31 March 2014 respectively are calculated using the Binomial Model and taking into account the dilution effect of the conversion of the convertible bonds. The inputs into the model were as follows:

	25 October 2013	**31 March 2014**
Stock price	HK$0.485	**HK$0.415**
Exercise price	HK$0.6413	**HK$0.6413**
Discount rate	17.98%	**18.33%**
Risk-free rate *(Note a)*	2.42%	**2.81%**
Expected volatility *(Note b)*	53.00%	**63.95%**
Expected dividend yield *(Note c)*	0.00%	**0.00%**

Notes:

(a) The rate was determined with reference to the yields of Hong Kong government bonds and treasury bills as at the date of valuation.

(b) Based on the historical price volatility of Extrawell over the bond period.

(c) Estimated regarding the historical dividend payout of Extrawell.

During the period ended 31 March 2014, the Group recognised (i) loss on acquisition of investments in convertible bonds of approximately HK$204,493,000 in profit or loss which is resulted from differences between the fair value of Consideration I of HK$446,993,000 and the fair value of investments in convertible bonds of HK$242,500,000 as at 25 October 2013; and (ii) subsequent decrease in fair value of the derivative component of investments in convertible bonds of HK$34,511,000 as at 31 March 2014.

As at 31 March 2014, the carrying amounts of the debt and the derivative components of the investments in convertible bonds are HK$13,245,000 and HK$195,695,000 respectively. The acquisition of the first batch of Sale CB-II was completed on 24 April 2014.

11. TRADE RECEIVABLES

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

As at 31 March 2014 and 30 June 2013, the following is an aged analysis of trade receivables, presented based on the invoice dates, which approximated the respective revenue recognition dates at the end of the reporting period.

	31.3.2014	30.6.2013
	HK$'000	*HK$'000*
30 days or loss	**3,138**	3,184
31 to 60 days	**1,894**	–
61 to 90 days	**3,223**	–
91 to 180 days	**3,136**	–
Over 181 days	**20**	20
	11,411	3,204

As at 31 March 2014, included in the Group's trade debtors is an aggregate carrying amount of HK$3,156,000 (30 June 2013: HK$20,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired.

	31.3.2014	30.6.2013
	HK$'000	*HK$'000*
30 days or less	**3,136**	–
Over 90 days	**20**	20
	3,156	20

12. TRADE PAYABLES

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

	31.3.2014	30.6.2013
	HK$'000	*HK$'000*
30 days or less	**3,047**	3,092
31 to 60 days	**1,770**	–
61 to 180 days	**–**	63
	4,817	3,155

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

13. CONVERTIBLE BONDS

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

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

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

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

The effective interest rate of the liability component of the convertible bonds is 25.74%.

During the nine months ended 31 March 2014, Convertible Bonds with aggregate principal amounts of HK$106,200,000 (twelve months ended 30 June 2013: aggregate principal amount of HK$20,000,000) were converted into ordinary shares of the Company.

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

	Principal amount *HK$'000*	**Carrying amount** *HK$'000*
As at 1 July 2012	–	–
Issuance of convertible bonds	133,000	13,938
Direct transaction cost	–	(193)
Interest charge	–	165
Conversion to ordinary shares	(20,000)	(2,085)
As at 30 June 2013	113,000	11,825
Interest charge	–	362
Conversion to ordinary shares	(106,200)	(11,334)
As at 31 March 2014	**6,800**	**853**

As disclosed in Notes 9 and 10, the Company issued convertible bonds in an aggregate principal amount of HK$436,800,000 and HK$51,200,000 respectively on 25 October 2013 and 27 December 2013 (collectively referred to as "**Convertible Bonds I**") for the acquisition of Sale CB-I and 450,000,000 ordinary shares of Extrawell. The Convertible Bonds I with zero coupon rate maturing on the tenth anniversary of the date of issue. The effective interest rates of the liability component of the convertible bonds are ranging from 23.42% to 23.52% per annum.

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

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

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

	Date of issue of principal amount of HK$436,800,000	**Date of issue of principal amount of HK$51,200,000**
Stock price	HK$0.91	HK$0.99
Exercise price	HK$0.40	HK$0.40
Discount rate	26.12%	26.24%
Risk-free rate *(Note a)*	1.83%	2.32%
Expected volatility *(Note b)*	86.71%	85.53%
Expected dividend yield *(Note c)*	0.00%	0.00%

Notes:

(a) The rate was determined with reference to the yields of Hong Kong government bonds and treasury bills as at the date of valuation.

(b) Based on the historical price volatility of the Company over the bond period.

(c) Estimated regarding the historical dividend payout of the Company.

During the period ended 31 March 2014, Convertible Bonds I with aggregate principal amounts of HK$12,000,000 were converted into ordinary shares of the Company.

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

	Principal amount *HK$'000*	**Carrying amount** *HK$'000*
As at 1 July 2012 and 30 June 2013	–	–
Issuance of Convertible Bonds I	488,000	47,867
Interest charge	–	4,743
Conversion to ordinary shares	(12,000)	(1,235)
31 March 2014	**476,000**	**51,375**

14. CONTINGENT LIABILITIES AND LITIGATION

Litigation concerning 中荷（平湖）生物技術有限公司 CNL (Pinghu) Biotech Co. Ltd. ("CNL (Pinghu)") in the PRC

On 17 April 2012, a writ of summons was issued by 江蘇瑞峰建設集團有限公司 (Jiangsu Ruifeng Construction Group Co., Limited) ("**Jiangsu Ruifeng**") in the PRC as the plaintiff against CNL (Pinghu), an indirect non-wholly owned subsidiary of the Company, as the defendant in relation to the disputes arising from the consideration and completion of construction services under the construction contracting services agreement dated 8 October 2010, the construction agreement dated 17 December 2010 and the supplemental agreement dated 8 March 2011 (collectively referred to as the "**Construction Agreements**") entered into between CNL (Pinghu) and Jiangsu Ruifeng, to claim the outstanding construction cost of RMB13,150,000, the related interests and litigation costs of the case. Pursuant to the Construction Agreements, the total construction costs was RMB16,675,000. Jiangsu Ruifeng had issued invoices amounting to RMB29,126,000 in relation to the construction work they performed. The aggregated invoice amount was substantially different from the contracted amount. CNL (Pinghu) only settled the amount of RMB16,601,000 and was recorded as the cost of buildings as at 30 June 2012. On 24 April 2012, Jiangsu Ruifeng obtained a civil ruling against CNL (Pinghu), pursuant to which a bank deposit of RMB15,000,000 or equivalent amount of assets of CNL (Pinghu) were to be frozen, but the actual amount frozen was HK$222,000 as at 30 June 2012, which was significantly lower than the amount stated in the civil ruling. The frozen balance was released during the year ended 30 June 2013. On 14 January 2013, an independent construction consulting company, which was appointed by Pinghu District Court, issued a statement certifying the total construction cost incurred would be in a range between RMB15,093,000 (equivalent to approximately HK$19,142,000) and RMB18,766,000 (equivalent to HK$23,801,000). According to the relevant legal opinion dated 29 July 2013, the possibility for Pinghu District Court for adopting the construction cost of RMB18,766,000 is higher. On 20 December 2013, the 浙江省平湖市人民法院 (People's Court of Pinghu City, Zhejiang Province*) delivered a further civil ruling, pursuant to which, CNL (Pinghu) shall, after the said civil ruling came into force, pay to Jiangsu Ruifeng, among other things, a fee of RMB3,309,000 (equivalent to approximately HK$4,197,000) for the construction services rendered. CNL (Pinghu) filed an application to appeal to 浙江省嘉興市中級人民法院 (the Intermediate People's Court of Jiaxing City, Zhejiang Province). On 25 April 2014, 浙江省嘉興市中級人民法院 upheld the original ruling of 浙江省平湖市人民法院 and the Company was required to pay approximately RMB 4,223,000 (equivalent to approximately HK$5,333,000) to Jiangsu Ruifeng. Total provision has been made by the Group in this regard as at 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

Revenue from continuing operations of the Group for the Financial Period amounted to approximately HK$29.7 million, a significant improvement from the HK$7.7 million revenue recorded the Previous Financial Year. Loss attributable to the owners of the Company was approximately HK$550.3 million, an increase over the loss of HK$72.8 million in the Previous Financial Year. The increase in loss was primarily caused by significant impairments recognized during the period of HK$285.8 million on the Group's investment in shares of Extrawell and loss on the acquisition and subsequent fair market value change of the Group's investments in convertible bond issued by Extrawell for the amount of HK$239.0 million.

BUSINESS REVIEW

Continuing Operations

Distribution of genetic testing services

Since 13 December 2010, the Group has held permanent exclusive distribution rights for genetic testing services in the regions of the PRC, Hong Kong and Macau, permanent nonexclusive distribution rights for genetic testing services in other regions, and the right of use of certain logos on genetic testing services that are distributed by the Group.

During the Financial Period, revenue arising from the provision of genetic testing services decreased to HK$93,000 from approximately HK$4.6 million in the Previous Financial Year.

While the Group has put in considerable resources to adjust the segment's operations in order to target professional sales channels, the management of the Group has concluded that the results thus far have not met expectations. In view of this, the Board decided to dispose some of the Group's genetic testing assets in order to reduce the Group's operating costs and future commitments and liabilities. The Group retains the exclusive distribution rights of genetic testing and the already franchised distribution rights to two related parties, which will operate the segment.

Distribution of bio-industrial products

The Group has held the exclusive distribution rights for the distribution of bone chips and fat in the PRC since 1 January 2010. The Group holds the rights for a period of 5 years, and these rights will be automatically renewed for an additional ten years, subject to any objection raised by the relevant parties on or before 31 December 2014.

There was no revenue arising from the distribution of bio-industrial products during both the Financial Period and Previous Financial Year.

Trading of beauty equipment and products

The Group commenced the trading of beauty equipment and products in 2013. During the Financial Period, revenue from the trading segment was approximately HK$29.7 million (2013: HK$3.2 million) with a profit margin of approximately 1.55% (2013: 1.32%).

Investments in Extrawell

On 27 April 2013, the Company entered into a conditional sale and purchase agreement to acquire shares and convertible bonds of Extrawell. The Group's investments in Extrawell are sensitive to share price fluctuations of Extrawell's publicly traded shares and subject to impairment assessment in accordance with Hong Kong Accounting Standards.

The Group impaired its investment of convertible bonds issued by Extrawell. Details of the impairment in the investments in convertible bonds are set out in note 10 of this preliminary announcement.

The Group impaired its investment in shares of Extrawell during the year. Details of the impairment methodology are set out in note 3 of this preliminary announcement.

At the time of each impairment assessment, the Directors must consider all new information that is practically accessible and available to the Company. In assessing impairment at the end of the interim period, new information gained in December 2013 and February 2014 from the Group's pharmaceutical expert, a prominent PRC research institute and additional due diligence included an anticipated one year delay in sales and expenses, which increased by inflation of 4%, and an additional commission expense of 8%. In assessing impairment at the end of the Financial Period, changes in the PRC exchange and anticipated PRC inflation rates created further impairment. Details of the impairment in the investment in shares of Extrawell are set out in note 9 of this preliminary announcement.

Discontinued Operation

Provision of health care management services

During the Financial Period, revenue from the provision of health care management services operating segment increased to HK$2.6 million, from HK$2.3 million in the Previous Financial Year.

Despite improvements in revenue, the Group and minority shareholders of the Health Care centre held the view that the centre's operational performance was well below expectations. After careful deliberation, the Group and minority shareholders decided that a leadership change was needed in order to improve the centre's performance. Both the Group and minority shareholders agreed that the Group would relinquish control of Longmark (Shanghai)'s board of directors and allow the representative from the minority shareholders, who are based in Shanghai and thus able to closely manage its operations and expenditures, to lead the centre. As a result of this change in control, the companies of the Health Care centre, including Longmark (Shanghai) and Longguan, will be deconsolidated from the Group and treated as investments in associates.

PROSPECTS

Distribution of genetic testing services

During the Financial Period, the Group disposed of a portion of its genetic testing assets in order to reduce the Group's operating costs and future commitments and liabilities. The Group retains the exclusive distribution rights of genetic testing and the already franchised distribution rights to two related parties, which will operate the segment.

The Group holds the view that the challenging regulatory environment in the PRC, as reflected in the circular issued on 9 February 2014 by the China Food and Drug Administration, will cause adverse impact on this business segment and its prospects.

The Group's proposed diagnostic centre continues to wait for further approval from the PRC government. The Group holds the view that the establishment of a PRC government recognized diagnostic centre will improve the Group's reputation and attracts business partners and franchisees.

Distribution of bio-industrial products

CNL (Pinghu) commenced the construction of the production, plant, research and development workshop and office in December 2010. Since April 2012, CNL (Pinghu) has been a defendant to civil litigation in the PRC Courts concerning construction costs of the plant.

The first judgment regarding this case was made on 20 December 2013 by 浙江省平湖市人民法院 (People's Court of Pinghu City, Zhejiang Province). The court based its judgment upon a valuation that was performed by a court appointed valuer. Both the Group and plaintiff appealed the verdict.

On 25 April 2014, the final verdict was reached and this final judgment upheld the initial ruling. The Group is liable to pay approximately RMB4.2 million, inclusive of interest, to the plaintiffs. Despite having received the final verdict, the premises of CNL (Pinghu) remain unlawfully occupied by the contractors. The Group continues to actively seek legal remedies and resolve this matter in the PRC's Courts, with a view to commence production as soon as possible.

Trading of beauty equipment and products

Trading contributes the majority of the Group's revenues. The major trading products of the Group are beauty equipment and beauty products. Rising GDPs and average incomes in many Asian developing countries are expected to create greater demand for this segment. As revenues and profit margins from trading have been relatively stable, the Group intends to develop the business further as market conditions permit and explore higher profit margin products.

Securities investment

Despite volatility in the global investment market, management of the Group holds the view that the global and Asian economic outlooks continue to improve. The management of the Group continues to actively review the performance of the Group's portfolio and source new investment products. The Group anticipates that after its acquisition of the Smart Ascent Group as mentioned in the section of Significant investments, acquisition and disposals in this preliminary announcement, the Group is likely to realise certain securities investments to fund the cost of research and development requirement of Smart Ascent's oral insulin medicine.

The Group will continue to explore other opportunities for further growth through strategic cooperation with world leading biotechnology enterprises in the aspects of business, product or technology. The Group strives to build a sound product portfolio which offers high profitability potential.

FINANCIAL REVIEW

Capital structure, Liquidity, Financial resources

Capital structure

	31.3.2014	30.6.2013
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
1,136,193,024 ordinary shares of HK$0.01 each (As at 30 June 2013: 840,693,024 ordinary shares of HK$0.01 each)	**11,362**	8,407

	Number of shares issued	**Share capital**
		HK$'000
As at 30 June 2013	840,693,024	8,407
Conversion of Convertible Bonds *(note a)*	265,500,000	2,655
Conversion of Convertible Bonds I *(note b)*	30,000,000	300
As at 31 March 2014	**1,136,193,024**	**11,362**

Notes:

(a) During the period ended 31 March 2014, 265,500,000 new ordinary shares of the Company of HK$0.01 each were issued upon the conversion of Convertible Bonds. Convertible Bonds with aggregate principal amount of HK$106,200,000 were converted into 265,500,000 ordinary shares of the Company at a conversion price of HK$0.4 per share respectively.

(b) During the period ended 31 March 2014, 30,000,000 new ordinary shares of the Company of HK$0.01 each were issued respectively upon the conversion of Convertible Bonds I. Convertible Bonds I with aggregate principal amount of HK$12,000,000 were converted into 30,000,000 ordinary shares of the Company at a conversion price of HK$0.4 per share respectively.

Liquidity and financial resources

As at 31 March 2014, the Group had bank and cash balances of approximately HK$192.4 million (30 June 2013: approximately HK$355.3 million).

As at 31 March 2014, total borrowings of the Group were approximately HK$52.2 million (30 June 2013: HK$37.0 million) which consisted of the debt value of the Company's unconverted convertible bonds amounting to HK$52.2 million.

The ratio of current assets to current liabilities of the Group was 20.54 as at 31 March 2014 compared to 7.74 as at 30 June 2013. The Group's gearing ratio as at 31 March 2014 was 0.09 (30 June 2013: 0.13) which has been calculated based on the Group's total liabilities of approximately HK$69.3 million (30 June 2013: approximately HK$63.7 million) and the Group's total assets of approximately HK$741.5 million (30 June 2013: approximately HK$508.0 million).

During the Financial Period, the Group invested in financial assets, consisting of time deposits and listed bonds that can be readily converted to cash at any time, with an aim to increase surplus cash. The Group places importance on security, short-term commitment and availability of the surplus cash and cash equivalents.

Significant investments, acquisition and disposals

On 17 March 2014, the Company entered into a conditional sale and purchase agreement to acquire 51% of the equity interest in Smart Ascent Limited ("**SAL**"), the holding company that owns an oral insulin medicine that has completed part of A of Phase III clinical trials. As part of the agreement to acquire a controlling stake in SAL, the Group has agreed to pay for all expenditures of SAL related to the further research and development of the oral insulin medicine up to a maximum aggregate amount of HK$600.0 million over the next 3 years. To the best knowledge of the Directors, the oral insulin medicine held by SAL is the likely the only oral insulin medication that has progressed to Phase III of clinical trials. The Group intends to complete the clinical trials related to the medicine and commercialize the medicine. The acquisition is conditional upon approvals at the Special General Meetings of Extrawell and the Company to be held on 15 and 16 July 2014, respectively, and the other condition precedents as stated in the Company's circular date 26 June 2014.

On 27 April 2013, the Company, as purchaser, and Dr. Mao and JNJ Investments Limited ("**JNJ**"), as vendors, entered into a conditional sale and purchase agreement dated 27 April 2013 (as supplemented and amended by supplemental agreements dated 7 May 2013, 30 August 2013 and 28 January 2014), pursuant to which the Company conditionally agreed to acquire and (i) JNJ and Dr. Mao have conditionally agreed to sell 450 million shares of Extrawell and convertible bonds in an aggregate principal amount of approximately HK$321 million, with conversion rights to convert into 500 million shares of Extrawell at initial conversion price of HK$0.6413 per share (subject to adjustments), issued by Extrawell respectively for an aggregate consideration of HK$608 million; and (ii) Dr. Mao has conditionally agreed to sell the convertible bonds in an aggregate principal amount up to approximately HK$257 million (the sum of the four batches), with conversion rights to convert into 400 million shares of Extrawell at initial conversion price of HK$0.6413 per share (subject to adjustments), issued by Extrawell at an aggregate consideration of up to a maximum of HK$256 million in four batches.

Dr. Mao is a connected person of the Company by virtue of being a controlling shareholder of the Company. JNJ is a connected person of the Company by virtue of its beneficial owner, being Dr. Mao. As such, the transactions constitute connected transactions of the Company under rule 14A.13(1)(a) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and shall be aggregated pursuant to Rule 14A.25 of the Listing Rules.

The completion of Transaction I took place on 25 October 2013 and 27 December 2013 with (i) an aggregate sum of HK$120 million paid in cash by the Company to Dr. Mao; (ii) convertible bonds of a principal amount of HK$200 million were issued by the Company to Dr. Mao; and (iii) convertible bonds of a principal amount of HK$288 million were issued by the Company to JNJ.

On 24 April 2014, all the conditions precedent for Transaction II took place. The first batch of Sale CB II convertible bonds, of a principal amount of approximately HK$64 million, was received by the Company and the Company issued Convertible Bonds II, of a principal amount of HK$64 million, to Dr. Mao.

With effect from 29 November 2013, the shareholders of Longmark (Shanghai) passed a resolution for the change of the composition of the board of directors for which the Group can appoint only one of Longmark (Shanghai)'s three directors, hence the Group controls 33.33% of the voting power over the board of directors. All decisions made during the shareholders' and board of directors' meetings require more than 51% of votes. As a result of the change in the composition of the board of directors, the Group is no longer in a position to exercise control over Longmark (Shanghai). Since then, Longmark (Shanghai) and Longguan ceased to be subsidiaries of the Group and became associates.

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

Charges on the Group's assets

As at 31 March 2014, the Group and the Company did not have any charges on their assets (30 June 2013: Nil).

Contingent liabilities

Details of litigation and contingent liabilities are set out in note 14 of this preliminary announcement.

Foreign exchange exposure

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

Number and remuneration of employees

As at 31 March 2014, the Group had 67 (30 June 2013: 41, from Continuing Operations) 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 and Directors is in line with the market and commensurate with their responsibilities. Discretionary year-end bonuses are payable to the employees based on individual performance. Other employee benefits include medical insurance, retirement schemes, training programmes and education subsidies. Total staff costs including the Directors' remuneration for the Financial Period amounted to approximately HK$11.0 million (twelve months ended 30 June 2013: approximately HK$10.5 million from Continuing Operations).

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with all the code provisions as set out in Appendix 14 to the Listing Rules on the Stock Exchange (the "**Code**") (and the new code provisions since 1 April 2012, when the amendments to the Code became effective) for the Financial Period, 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 a specific term and should be subject to re-election.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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 Period have been reviewed by the Audit Committee.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the period ended 31 March 2014 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the period. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 30 June 2014

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