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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

The board (the "Board") of directors (the "Directors") of United Gene High-Tech Group Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2013 (the "Interim Period") together with the comparative figures for the six months ended 31 December 2012 (the "Previous Corresponding Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Six months ended 31 December**	
		2013	2012
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**21,461**	73
Interest income from available-for-sale financial assets		**2,139**	2,230
		23,600	2,303
Continuing operations			
Revenue	*3*	**21,461**	73
Cost of sales and services		**(24,457)**	(5)
Gross (loss) profit		**(2,996)**	68
Other income		**3,246**	3,938
Other gains and losses, net	*4*	**(435,772)**	(208)
Selling expenses		**(3,160)**	(466)
Administrative expenses		**(14,225)**	(13,886)
Other expenses		**(6,954)**	(920)
Finance costs		**(2,208)**	–
Loss before tax		**(462,069)**	(11,474)
Income tax credit	*5*	**–**	5
Loss for the period from continuing operations	*6*	**(462,069)**	(11,469)
Discontinued operation			
Profit (loss) for the period from discontinued operation	*14*	**140**	(16,461)
Loss for the period		**(461,929)**	(27,930)

	Notes	Six months ended 31 December 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Fair value changes of available-for-sale financial assets		**902**	2,187
Reclassification adjustments for the cumulated loss upon disposal of available-for-sale financial assets		**181**	208
Exchange difference on translation of foreign operations		**81**	239
Reclassification adjustments for the cumulated exchange reserve upon disposal/loss of control of subsidiaries		**(1,306)**	–
Other comprehensive (expense) income for the period		**(142)**	2,634
Total comprehensive expense for the period		**(462,071)**	(25,296)
(Loss) profit for the period attributable to owners of the Company			
– from continuing operations		**(460,554)**	(10,893)
– from discontinued operation		**5,148**	(14,038)
Loss for the period attributable to owners of the Company		**(455,406)**	(24,931)
Loss for the period attributable to non-controlling interests			
– from continuing operations		**(1,515)**	(576)
– from discontinued operation		**(5,008)**	(2,423)
Loss for the period attributable to non-controlling interests		**(6,523)**	(2,999)
		(461,929)	(27,930)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(455,548)**	(22,344)
Non-controlling interests		**(6,523)**	(2,952)
		(462,071)	(25,296)
Loss per share	*8*		
From continuing and discontinued operations			
Basic		**HK(44.66) cents**	HK(3.28) cents
Diluted		**HK(44.66) cents**	N/A
From continuing operations			
Basic		**HK(45.17) cents**	HK(1.43) cents
Diluted		**HK(45.17) cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 31 December 2013** *HK$'000* **(unaudited)**	At 30 June 2013 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**36,036**	41,856
Interests in associates	*9*	**225,000**	–
Investments in convertible bonds	*10*	**248,112**	–
Available-for-sale financial assets		**102,680**	101,182
		611,828	143,038
Current assets			
Inventories		**156**	74
Trade receivables	*11*	**14,847**	3,204
Prepayments, deposits and other receivables		**1,188**	5,211
Available-for-sale financial assets		**1,548**	1,258
Bank and cash balances			
– cash and cash equivalents		**203,415**	235,253
– other bank balances		**–**	120,000
		221,154	365,000
Current liabilities			
Trade payables	*12*	**6,606**	3,155
Accruals and other payables		**9,081**	15,772
Receipt in advance from customer		**–**	6,212
Amount due to a shareholder		**–**	15,079
Loans from a non-controlling shareholder of a subsidiary		**–**	6,910
		15,687	47,128
Net current assets		**205,467**	317,872
Total assets less current liabilities		**817,295**	460,910

	Notes	At 31 December 2013 *HK$'000* (unaudited)	At 30 June 2013 *HK$'000* (audited)
Non-current liabilities			
Convertible bonds	*13*	**50,179**	11,825
Deferred tax liabilities		**1,435**	1,585
Loans from a non-controlling shareholder of a subsidiary		**–**	3,138
		51,614	16,548
NET ASSETS		**765,681**	444,362
Capital and reserves			
Share capital		**11,152**	8,407
Reserves		**744,352**	444,930
Equity attributable to owners of the Company		**755,504**	453,337
Non-controlling interests		**10,117**	(8,975)
TOTAL EQUITY		**765,681**	444,362

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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 appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2013 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2013 except for the following accounting policies which were adopted during the period ended 31 December 2013.

Adoption of new accounting policies

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the share of net assets by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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 (see above), 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.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 condensed consolidated financial statements using the equity method of accounting. Under the equity method, interest in an associate is initially recognised in the condensed 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 that 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 or a joint venture. 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.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income, gains and losses, net line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Investments in convertible bonds

The component parts of the convertible instruments are classified separately as debt component and conversion option derivative.

At the date of issue, both the debt and derivatives components are recognised at fair value. In subsequent periods, the debt component of the convertible instruments is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible instruments are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible instruments using the effective interest method.

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") in the preparation of the Group's condensed consolidated financial statements:

- HKFRS 10 Consolidated Financial Statements;
- HKFRS 11 Joint Arrangements;
- HKFRS 12 Disclosure of Interests in Other Entities;
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;
- HKFRS 13 Fair Value Measurement;
- HKAS 19 (as revised in 2011) Employee Benefits;
- HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures;
- Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities;
- Amendments to HKFRSs Annual Improvements to HKFRSs 2009-2011 Cycle; and
- HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

HKFRS 13 "Fair value measurement"

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies 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 a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer 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.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 34 "Interim financial reporting (as part of the annual improvements to HKFRSs 2009-2011 cycle)"

The Group has applied the amendments to HKAS 34 "Interim financial reporting" as part of the annual improvements to HKFRSs 2009-2011 cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total asset information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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 the current period. The segment information reported below does not include any amounts for this discontinued operation, which is described in more details in note 14.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Continuing operations

	Provision of genetic testing services		Distribution of bio-industrial products		Trading of beauty equipment and products		Securities investment		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Six months ended 31 December										
Revenue from external customers	**19**	73	**–**	–	**21,443**	–	**–**	–	**21,461**	73
Segment (loss)/profit after tax	**(11,532)**	(6,850)	**(1,257)**	(1,712)	**532**	–	**1,775**	2,230	**(10,482)**	(6,332)

	Six months ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Reconciliation of reportable segment loss after tax:		
Total segment loss	**(10,482)**	(6,332)
Corporate and other expenses	**(17,103)**	(5,897)
Unallocated other income	**1,107**	760
Unallocated other gains and losses, net	**(435,591)**	–
Consolidated loss for the period from continuing operations	**(462,069)**	(11,469)

4. OTHER GAINS AND LOSSES, NET

	Six months ended 31 December 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Continuing operations		
Gain on disposal of subsidiaries	**12,998**	–
Change in fair value of derivative components of investments in convertible bonds	**5,206**	–
Impairment loss on interests in associates	**(249,302)**	–
Loss on acquisition of investments in convertible bonds	**(204,493)**	–
Loss on sale of available-for-sale financial assets	**(181)**	(208)
	(435,772)	(208)

5. INCOME TAX CREDIT

	Six months ended 31 December 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Continuing operations		
Current tax – The PRC income tax	**–**	–
Deferred tax	**–**	5
	–	5

6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

Loss for the period from continuing operations has been arrived at after charging the following:

	Six months ended 31 December 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Depreciation of property, plant and equipment	**931**	1,312
Operating lease charges of land and buildings	**7,120**	5,163
Cost of inventories recognised as an expense	**705**	5
Staff costs including directors' emoluments	**5,427**	5,397

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors have determined that no dividend will be paid in respect of the interim period (2012: nil).

8. LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the period attributable to owners of the Company)	**(455,406)**	(24,931)

	Six months ended 31 December	
	2013	2012
	Number of shares	Number of shares
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,019,691**	759,697

The weighted average numbers of ordinary shares for the calculation of the basic and diluted loss per share for the six months ended 31 December 2012 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 six months ended 31 December 2013.

No diluted loss per share was presented for the six months ended 31 December 2012, as there were no potential dilutive shares outstanding during that period.

From continuing operations

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

	Six months ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss figures are calculated as follow:		
Loss for the period attributable to the owners of the Company	**(455,406)**	(24,931)
Less: (Profit) loss for the period from discontinued operations	**(5,148)**	14,038
Loss for the purposes of basic and diluted loss per share from continuing operations	**(460,554)**	(10,893)

	Six months ended 31 December	
	2013	2012
	Number of shares	Number of shares
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,019,691**	759,697

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

From discontinued operation

Basic earnings per share from discontinued operation is HK0.50 cents per share (2012: loss per share of HK1.85 cents) and diluted loss per share from the discontinued operation is HK0.50 cents per share (2012: N/A), based on the profit for the period from discontinued operation of HK$5,148,000 (2012: loss for the period of HK$14,038,000) 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 Pharmaceutical Holdings Limited ("Extrawell"), a listed company in Hong Kong, of par value HK$0.01 each from JNJ Investments Limited, 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. The acquisition of the associate 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 was acquired on 27 December 2013 by issuance of convertible bonds in the principal amount of HK$51,200,000.

As at 31 December 2013, the directors of the Company are in the process of carrying out the purchase price allocation for the acquisition of Extrawell. Accordingly, the interest in Extrawell is at the provisional values subject to the finalisation of the valuation.

During the period ended 31 December 2013, the directors of the Company have performed impairment assessment with reference to the recoverable amount of the interest in Extrawell and considered the recoverable amount of Extrawell was lower than its carrying amount. Impairment loss of HK$249,302,000 was recognised in the profit or loss.

On 25 November 2013, the shareholders of Longmark (Shanghai) HealthCare Limited ("Longmark (Shanghai)") passed a resolution for the change of the composition of the board of directors for which the Group can appoint one out of the three directors with effect from 29 November 2013, hence the Group controls 33.33% of the voting power in the board of directors' meeting. All the decisions made in the sharholders' and board of directors' meetings require more than 51% 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 its wholly-owned subsidiary 上海龍冠門診部有限公司 ("Longguan"), ceased to be subsidiaries of the Group and became associates.

	At 31 December 2013 *HK$'000* **(unaudited)**	At 30 June 2013 *HK$'000* (audited)
Cost of investments in associates		
Listed in Hong Kong	**225,000**	–
Unlisted	**–**	–
	225,000	–

As at 31 December 2013, the Group had interests in the following associates:

Name of entity	Place of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activity
Extrawell	Bermuda	PRC	Ordinary shares	18.83%	18.83%	Development, manufacture and sales of pharmaceutical products
Longmark (Shanghai)	PRC	PRC	Registered capital	50.02%	33.33%	Provision of health care management services
Longguan	PRC	PRC	Registered capital	50.02%	33.33%	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 Yumin ("Dr. Mao"), the ultimate controlling shareholder of the Company 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") from Dr. Mao at an aggregate consideration up to a maximum amount of HK$256,000,000 ("Consideration II"). 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.

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 liability 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 fair value of the embedded conversion option at the acquisition date of 25 October 2013 and 31 December 2013 is 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 December 2013**
Stock price	HK$0.485	HK$0.495
Exercise price	HK$0.6413	HK$0.6413
Discount rate	17.98%	18.27%
Risk-free rate *(note a)*	2.42%	2.81%
Expected volatility *(note b)*	53.00%	52.97%
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 December 2013, the Group recognised an increase in fair value changes on the derivative components of investments in convertible bonds of approximately HK$5,206,000 in profit or loss.

As at 31 December 2013, the carrying amounts of the debt and the derivative components of the investments in convertible bonds are HK$12,700,000 and HK$235,412,000 respectively.

11. TRADE RECEIVABLES

The credit terms granted by the Group to its customers generally range from 30 to 180 days.

The following is an analysis of trade receivables by age, presented based on the invoice date.

	At 31 December 2013 *HK$'000* **(unaudited)**	At 30 June 2013 *HK$'000* (audited)
30 days or less	**3,184**	–
31 to 60 days	**3,615**	3,184
61 to 180 days	**8,028**	–
Over 180 days	**20**	20
	14,847	3,204

12. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	At 31 December 2013 *HK$'000* **(unaudited)**	At 30 June 2013 *HK$'000* (audited)
30 days or less	**3,096**	3,092
31 to 60 days	**3,510**	–
61 to 180 days	**–**	63
	6,606	3,155

13. CONVERTIBLE BONDS

Pursuant to the placing agreement and subscription agreement entered into on 18 February 2013, the Company issued convertible bonds ("Convertible Bonds") with a 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 ordinary 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 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 Hong Kong Dollars. 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 had been determined by the discounted cash flow approach using the prevailing market interest rate of similar non-convertible bonds and taking into account the credit risk of the Company. The equity component is HK$117,416,000, which is the difference between the proceeds received and the fair value of the liability component, net of transaction costs attributable to the liability and equity components of HK$193,000 and HK$1,646,000 respectively.

During the period ended 31 December 2013, Convertible Bonds with aggregate principal amounts of HK$106,200,000 were converted into ordinary shares of the Company.

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

	Principal amount	**Carrying amount**
	HK$'000	*HK$'000*
As at 1 July 2013 (audited)	113,000	11,825
Interest charge	–	311
Conversion to ordinary shares	(106,200)	(11,334)
31 December 2013 (unaudited)	6,800	802

As disclosed in Notes 9 and 10, the Company issued convertible bonds in an aggregate principal amounts of HK$436,800,000 and HK$51,200,00 respectively on 25 October 2013 and 27 December 2013 (collectively referred to as the "Convertible Bonds I") for the acquisition of Sale CB-I and 450,000,000 ordinary shares of Extrawell. The Convertible Bonds I with coupon rate of 0.1% per annum mature on the tenth anniversary of the date of issue.

The Convertible Bonds I entitle the bond holders to convert them into ordinary 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 Hong Kong dollars. The Convertible Bonds I contain two components, liability and equity components. The fair value of the liability component is determined by the discounted cash flow approach using the prevailing market interest rate of similar non-convertible bonds and taking into account the credit risk of the Company. The fair value of the conversion option for the bond holders to convert the notes into equity which is included in equity (convertible bonds equity reserve) is determined using the Binomial Model.

The fair values of the conversion right issued by the Company at the issue date 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:

	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$0.91
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 December 2013, the Convertible Bonds I with aggregate principal amounts of HK$3,600,000 were converted into ordinary shares of the Company.

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

	Principal amount *HK$'000*	**Carrying amount** *HK$'000*
As at 1 July 2012 (audited)	–	–
Issuance of the Convertible Bonds I	488,000	47,867
Interest charge	–	1,870
Conversion to ordinary shares	(3,600)	(360)
31 December 2013 (unaudited)	484,400	49,377

14. LOSS OF CONTROL OF SUBSIDIARIES (DISCONTINUED OPERATION)

As detailed in note 9, Longmark (Shanghai) and its wholly-owned subsidiary, Longguan (collectively referred to as "Longmark (Shanghai) Group"), which carried out all of the Group's provision of health care management services, ceased to be subsidiaries of the Group. The Group's operating segment regarding provision of health care management services is presented as discontinued operation.

The loss for the period from the discontinued provision of health care management services operating segment is set out below. The comparative figures in the statement of profit or loss and other comprehensive income have been restated to represent the health care management services operation as a discontinued operation.

	Six months ended 31 December	
	2013 *HK$'000* **(unaudited)**	2012 *HK$'000* (unaudited)
Loss of provision of health care management services for the period	**(11,140)**	(16,461)
Gain on loss of control of subsidiaries	**11,280**	–
	140	(16,461)

The results of the provision of health care management services operating segment for the current and preceding interim periods were as follows:

	Period from 1 April 2013 to 29 November 2013	Six months ended 31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	**2,557**	1,457
Cost of sales and services	**(8,116)**	(1,069)
Other income	**28**	18
Selling expenses	**(837)**	(58)
Administrative expenses	**(4,527)**	(16,405)
Finance costs	**(263)**	(429)
Loss before tax	**(11,158)**	(16,486)
Income tax credit	**18**	25
Loss for the period	**(11,140)**	(16,461)
Loss for the period attributable to:		
Owners of the Company	**(6,132)**	(14,038)
Non-controlling interests	**(5,008)**	(2,423)
	(11,140)	(16,461)

Profit (loss) for the period from discontinued operation include the following:

Depreciation and amortisation	**2,329**	3,743
Employee benefit expenses	**3,568**	3,697

During the period, Longmark (Shanghai) Group paid HK$6,789,000 (2012: HK$5,361,000) and HK$1,892,000 (2012: HK$47,000) in respect of the Group's net operating cash flows, investing activities respectively and contributed HK$6,424,000 (2012: HK$8,050,000) in respect of the Group's financing activities.

The net liabilities of Longmark (Shanghai) Group at the date of loss of control were as follows:

Analysis of assets and liabilities over which control was lost:	*HK$'000*
Property, plant and equipment	1,432
Prepayments, deposits and other receivables	2,220
Inventories	27
Bank balances and cash	1,845
Trade payables	(64)
Accruals and other payables	(3,649)
Amount due to a shareholder	(15,197)
Loans from a non-controlling shareholder of a subsidiary	(10,121)
Deferred tax liabilities	(144)
Net liabilities disposed of	(23,651)
Gain on loss of control of subsidiaries:	
Net liabilities disposed of	23,651
Non-controlling interests (49.98% share of net assets in Longmark (Shanghai) Group)	(11,817)
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	(554)
Gain on loss of control	11,280
Cash outflow arising on loss of control of subsidiaries:	
Bank balances and cash disposed of	(1,845)

In view of the continuous loss-making operation, the Directors of the Company considered the fair value of the retained interest in Longmark (Shanghai) Group is nil.

15. 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 approximately HK$23,801,000). According to the relevant legal opinion, 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 come into force, pay to Jiangsu Ruifeng, among other things, a fee of RMB 3,309,048.33 for the construction services rendered. CNL (Pinghu) planned to file 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*). As at 31 December 2013, the total amount of construction costs paid by the Group was RMB16,601,000 (equivalent to approximately HK$21,055,000) and a provision of RMB5,165,000 (equivalent to approximately HK$6,550,000) is made.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

Revenue of the Group for the Interim Period amounted to approximately HK$24.0 million, a significant improvement from the HK$1.5 million revenue recorded in the Previous Corresponding Period. Loss attributable to the owners of the Company was approximately HK$455.4 million, a increase over the loss of HK$24.9 million in the Previous Corresponding Period.

BUSINESS REVIEW

Continuing Opeartions

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 non-exclusive 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 Interim Period, revenue arising from the provision of genetic testing services decreased from approximately HK$73,000 in the Previous Corresponding Period to approximately HK$19,000 during the Interim Period.

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 help 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 are automatically renewed for an additional ten years, subject to any objection raised by the relevant parties on or before 31 December 2014.

During the Interim Period, there was no revenue from the distribution of bio-industrial products, same as the Previous Corresponding Period.

Trading of beauty equipment products

The Group commenced the trading of beauty equipment and products in 2013. During the Interim Period, revenue from trading was approximately HK$21.4 million (2012: nil) with an operating margin of approximately 2.48%.

Discontinued operation

Provision of health care management services

During the Interim Period, revenue from the provision of health care management services operating segment increased to HK$2.6 million, from HK$1.5 million in the Previous Corresponding Period.

Despite improvements in revenue, the Group and minority shareholders of the Health Care centre held the view that the centre's operational performance is underwhelming. 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 cede control of Longmark (Shanghai)'s board of directors and allow 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 Interim Period, the Group restructured its genetic testing services segment. Going forward, the Group expects reduced operating costs and a gradual improvement in genetic testing revenues that will positively contribute to the Group.

The Group holds the view that a recent circular issued on 9 February 2014 by the China Food and Drug Administration (CFDA) will have temporary impact to the segment franchisees' performance, but will also provide an opportunity for the Group to capture market share in the PRC in the future. The said CFDA's circular effectively suspends the sales of genetic testing until the PRC government issues official standards and regulations, which may be difficult to be met by competitors in the PRC.

The Group has satisfied the PRC government's preliminary criteria with respect to opening a diagnostic centre in Shanghai. The competition is limited as the PRC government limits the number of diagnostic centre. The Group's proposed diagnostic centre is now awaiting further approval from the PRC government and the Group holds the view that the establishment of a PRC government recognised diagnostic centre will improve the Group's reputation and attract more additional franchisees. The Group does not exclude the possibility of partnering with investors should future funding be required.

Distribution of bio-industrial products

CNL (Pinghu) Biotech Co. Ltd. ("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 party to a civil litigation in the PRC Courts concerning construction cost of the said construction.

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). Based on a valuation done by a firm appointed by the court, the judge determined that the Group owes damages of approximately RMB20 million and interest of approximately RMB1 million. Both the plaintiff and the Group have appealed the verdict and the appeal proceeding is pending.

As the premises of CNL (Pinghu) are unlawfully occupied by the contractors, the production and launch schedules of the bio-industrial products have been delayed. 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.

Provision of health care management services

The Group holds the views that the restructuring of the Health Care centre and change in its management will improve the operating performance of the centre.

Trading of beauty equipment and products

The management of the Group expects that the demand of beauty equipment products in the Asia Pacific region will continue to increase as rising GDP and average income in most developing countries in Asia will increase customers' purchase power of such products. The Group will continue to explore higher margin products and improve sales of the beauty products to further the increase of revenues and profits.

Securities investment

The management holds the view that the global economic outlook may improve in the future in general, however the global investment market will be volatile in the coming year due to the possibility that the Federal Reserve in the United States of America may withdraw quantitative easing. The management will continue to actively review the performance of the portfolio for greater portfolio revenue and profits for the Group.

Apart from developing the aforementioned businesses, the Group will continue to proactively explore attractive investments in the PRC and globally with the aim of (i) developing new and existing businesses, and (ii) generating positive cash flow and earnings for the Group in the long-term. The Group does not exclude the possibility of disposing underperforming businesses. In the meantime, the Company may, if necessary, conduct various fund-raising activities to strengthen the capital base of the Company.

The Group will continue to explore other opportunities for further growth through strategic cooperation with other 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 December 2013	30 June 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
1,115,193,024 ordinary shares of HK$0.01 each (As at 30 June 2013: 840,693,024 ordinary shares of HK$0.01 each)	**11,152**	8,407

The following is a summary of the movements in the issued share capital:

	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 *(note b)*	9,000,000	90
As at 31 December 2013	1,115,193,024	11,152

Notes:

(a) During the period ended 31 December 2013, 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 December 2013, 9,000,000 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$3,600,000 were converted into 9,000,000 ordinary shares of the Company at a conversion price of HK$0.4 per share respectively.

Liquidity and financial resources

As at 31 December 2013, the Group had bank and cash balances of approximately HK$203.4 million (30 June 2013: approximately HK$355.3 million).

As at 31 December 2013, total borrowings of the Group were approximately HK$50.2 million (30 June 2013: HK$37.0 million) which consisted of the debt value of the Company's unconverted Convertible Bonds amounting to HK$50.2 million.

The ratio of current assets to current liabilities of the Group was 14.10 as at 31 December 2013 compared to 7.74 as at 30 June 2013. The Group's gearing ratio as at 31 December 2013 was 0.08 (30 June 2013: 0.13) which is calculated based on the Group's total liabilities of approximately HK$67.3 million (30 June 2013: approximately HK$63.7 million) and the Group's total assets of approximately HK$833.0 million (30 June 2013: approximately HK$508.0 million).

During the Interim 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 27 April 2013 (after trading hours), the Company, as purchaser, and Dr. Mao Yumin ("Dr. Mao") and JNJ Investments Limited ("JNJ"), as vendors (the "Vendors"), entered into a conditional sale and purchase agreement dated 27 April 2013 (as supplemented and amended by a supplemental agreement dated 7 May 2013 and a second supplemental agreement dated 30 August 2013), pursuant to which the Company has conditionally agreed to acquire and (i) JNJ and Dr. Mao have conditionally agreed to sell 450,000,000 shares of Extrawell Pharmaceutical Holdings Limited ("Extrawell") and convertible bonds in an aggregate principal amount of HK$320,650,000, with conversion rights to convert into 500,000,000 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$608,000,000; and (ii) Dr. Mao has conditionally agreed to sell the convertible bonds in an aggregate principal amount up to HK$256,520,000 (the sum of the four batches), with conversion rights to convert into 400,000,000 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$256,000,000, 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 Listing Rules and shall be aggregated pursuant to Rule 14A.25 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

On 31 December 2013, all the completion of Transaction I took place with (i) an aggregate sum of HK$120,000,000 shall be payable in cash by the Company to Dr. Mao upon Completion I; (ii) an aggregate sum of HK$200,000,000 shall be payable by issue of the relevant Convertible Bonds I in the principal amount of HK$200,000,000 to Dr. Mao or his nominee(s) (as he may direct in writing) upon Completion I; and (iii) an aggregate sum of HK$288,000,000 shall be payable by issue of the relevant Convertible Bonds I in the principal amount of 288,000,000 to JNJ or its nominee(s) (as it may direct in writing) upon Completion I.

As additional time is required for the fulfillment of the said conditions precedent, on 28 January 2014 (after trading hours), the Vendors and the Company entered into the third supplemental agreement to the S&P Agreement (as amended and supplemented by the First Supplemental Agreement and a supplemental agreement dated 30 August 2013 (the "Second Supplemental Agreement")), pursuant to which the Vendors and the Company agreed to extend Long Stop Date II to 30 April 2014 or such other date as Dr. Mao Yumin and the Company may agree in writing.

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 one out of the three directors with effect from 29 November 2013, hence the Group controls 33.33% of the voting power in the board of directors' meeting. All the decisions made in the shareholders' and board of directors' meetings require more than 51% 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 Interim Period.

Charges on the Group's assets

As at 31 December 2013, 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 15 to the 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 arises.

Number and remuneration of employees

As at 31 December 2013, the Group had 75 (30 June 2013: 165) 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 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 Interim Period amounted to approximately HK$5.4 million (2012: approximately HK$5.4 million).

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

During the Interim 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 (the "Code") (and the new code provisions since 1 April 2012, when the amendments to the Code became effective) for the Interim 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 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 Interim Period. No incident of non-compliance was noted by the Company in the Interim 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 interim results for the Interim Period have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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.hkexnews.hk). The interim report of the Company for the Interim 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, 28 February 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).