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**UNITED GENE HIGH-TECH GROUP LIMITED**

**聯合基因科技集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 399)**

**ANNOUNCEMENT**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

**LITIGATIONS IN PRC**

The Company has been informed by its subsidiaries, CNL (Pinghu) and Longmark (Shanghai), that each of them has received a writ of summons issued by Pinghu District Court and Changning District Court in PRC respectively.

**(A) Writ and Ruling against CNL (Pinghu) in PRC**

On 17 April 2012, a writ of summons was issued by Jiangsu Ruifeng in PRC, as the plaintiff, against CNL (Pinghu), as the defendant, an indirect subsidiary of the Company, pursuant to which Jiangsu Ruifeng is seeking an order from the Pinghu District Court to claim (i) the outstanding payment of RMB13,149,879; (ii) interests in respect of the outstanding payment in the sum of RMB248,532 incurred from 19 January 2012 to the judgment date at an interest rate of 0.021% per day; and (iii) the litigation cost in relation to the present proceedings. A court hearing will be convened on 5 June 2012 in relation to the Writ against CNL (Pinghu).

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) was to be frozen.

**(B) Writ and Ruling against Longmark (Shanghai) in PRC**

On 17 April 2012, a writ of summons was issued by Jiangsu Tianteng in PRC, as the plaintiff, against Longmark (Shanghai), as the defendant, an indirect subsidiary of the Company, pursuant to which Jiangsu Tianteng is seeking an order from the Changning District Court to claim (i) the outstanding payment of RMB2,977,586; (ii) interests in respect of the outstanding payment incurred from 11 October 2011 to the judgment date at the bank lending rate for the relevant period; and (iii) the litigation costs in relation to

the present proceedings.

Further, Jiangsu Tianteng obtained a civil ruling in PRC on 17 April 2012 pursuant to which Jiangsu Tianteng requested property preservation against Longmark (Shanghai) from the Changning District Court to freeze (i) assets of Longmark (Shanghai) in sum of RMB2,977,586; and (ii) the house of the guarantor, Mr. SHI Guo Ke, situated in Room 1001, No 38, 999 Nong, Zhen Hua Road, Bao Shan District, PRC.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## **LITIGATIONS IN PRC**

### **(A) WRIT AGAINST CNL (PINGHU) IN PRC**

#### **(i) CNL (Pinghu) Construction Agreements**

CNL (Pinghu) and Jiangsu Ruifeng entered into the Construction Contracting Services Agreement on 8 October 2010, pursuant to which Jiangsu Ruifeng agreed to provide construction services to CNL (Pinghu).

On 17 December 2010, CNL (Pinghu) and Jiangsu Ruifeng entered into the Construction Agreement, pursuant to which Jiangsu Ruifeng agreed to provide installation and decoration service to CNL (Pinghu).

Further, on 8 March 2011, CNL (Pinghu) and Jiangsu Ruifeng entered into the Supplemental Agreement in respect of the Construction Agreement, pursuant to which Jiangsu Ruifeng agreed to provide additional construction services to CNL (Pinghu) .

The consideration for the Construction Contracting Services Agreement, the Construction Agreement and the Supplementary Agreement amounted to RMB 3,322,211, RMB 8,852,864 and RMB 5,500,000 respectively, and should be audited by an auditor who is mutually engaged by both parties. If none of the parties raise objection to the consideration audited by the said auditor, the consideration shall deem as accepted by both parties.

#### **(ii) Writ against CNL (Pinghu) in PRC**

The Board wishes to inform Shareholders and potential investors of the Company that Jiangsu Ruifeng, as the plaintiff, issued a writ of summons in PRC against CNL (Pinghu), as the defendant, pursuant to which Jiangsu Ruifeng alleged that CNL (Pinghu) did not pay for the outstanding payment of RMB13,149,879. The Writ against CNL (Pinghu) was filed with the Pinghu District Court in PRC on 17 April 2012.

According to the Writ against CNL (Pinghu), Jiangsu Ruifeng is seeking an order against CNL (Pinghu) in PRC from the Pinghu District Court to claim (i) the outstanding payment of RMB13,149,879; (ii) interests in respect of the outstanding payment in the sum of RMB248,532 incurred from 19 January 2012 to the judgment date at an interest rate of 0.021% per day; and (iii) the litigation costs in relation to the present proceedings.

According to the Ruling against CNL (Pinghu) dated 24 April 2012, Jiangsu Ruifeng requested property preservation from the Pinghu District Court against CNL (Pinghu) to freeze a bank deposit of RMB15,000,000 or assets of CNL (Pinghu) valued at the equivalent amount.

A court hearing in relation to the Writ against CNL (Pinghu) will be convened on 5 June 2012.

**(iii) Disputes**

The major disputes between CNL (Pinghu) and Jiangsu Ruifeng arising from the CNL (Pinghu) Construction Agreements are set out as follows:

- (i) whether all the construction works have been completed in accordance with the CNL (Pinghu) Construction Agreements;
- (ii) whether the basis of the consideration for the CNL (Pinghu) Construction Agreements is reasonable;
- (iii) whether Jiangsu Ruifeng has breached the terms of the CNL (Pinghu) Construction Agreements.

Jiangsu Ruifeng had sent the invoices amounting to RMB10,175,191 and RMB18,950,688 respectively in relation to the Construction Contracting Services Agreement, the Construction Agreement and the Supplementary Agreement. The said amounts are substantially different from the contractual amounts of RMB 3,322,211, RMB 8,852,864 and RMB 5,500,000 respectively. Jiangsu Ruifeng alleged that CNL (Pinghu) had not raised any objection for both of the invoices, and therefore, the audited consideration was deemed as accepted.

However, the construction works in respect to CNL (Pinghu) Construction Agreements have not been completed and the invoice amount of RMB10,175,191 and RMB18,950,688 are not determined by a professional mutually engaged by both parties.

**(iv) Legal Opinion**

The Legal opinion issued by the PRC legal adviser appointed by the Company indicates that the Pinghu District Court may arrange conciliation for CNL (Pinghu) and Jiangsu Ruifeng. If the disputes cannot be settled by conciliation, the Pinghu District Court may engage a professional to assess the fair value of the consideration of the CNL (Pinghu) Construction Agreements.

The Company will vigorously defend against the Writ against CNL (Pinghu) and take such other court actions necessary in the PRC as advised by its PRC legal advisers.

At this stage, based on facts and circumstances known to the Board and subject to further legal advice and a detailed assessment of business and financial implications, the Board is of the opinion that, in such circumstances, the Writ against CNL (Pinghu), on balance and in general terms, shall not have a substantial impact on the current business operation and financial position of the Company as a whole.

**(v) Impact on Business Operation**

According to the Ruling against CNL (Pinghu), a bank deposit of RMB15,000,000 or equivalent amount of assets of CNL (Pinghu) was to be frozen, the actual amount of bank deposit frozen was below RMB 500,000, which is significantly lower than the amount stated on the civil ruling. The Board holds the view that the frozen bank deposit shall not have significant impact on the cash flow of CNL (Pinghu).

**(vi) Impact on Financial Position**

Since the claim mainly involves the construction costs, most of the claim amount would be capitalised into the construction project as fixed asset even if the Group loses the litigation. Therefore, it is fair and reasonable for the Board to hold the view that there will be no financial impact on the Balance Sheet of the Group. There will be no material impact on the total asset and hence net asset value of the Group. Only the litigation costs and interest charges would be treated as expenses in the income statement. The financial impact of the said litigation cost and interest charge on the Income Statement is relatively small, comparing to the recent interim loss of the Group of HKD 22,682,000 for the six months ended on 31 December 2011. Therefore, there will be no impact on the turnover and debt position of the Group, as all the claims concerning the litigations will be sufficiently paid by the internal funding of the Group.

According to the unaudited interim financial statement of the Group as at 31 December 2011, the total cash of the Group was HK\$ 187,440,000 and the total claims amounted to HK\$19,651,196 accounted for approximately 10.48% of the total cash of the Group. The group has strong financial position sufficient to cover the total claims. Therefore, the Board holds the view that the financial position of the Group shall not be affected by the litigation against CNL (Pinghu).

**(B) WRIT AGAINST LONGMARK (SHANGHAI) IN PRC**

**(i) Longmark Construction Agreement**

On 23 May 2011, Longmark (Shanghai) and Jiangsu Tianteng entered into the Longmark Construction Agreement, pursuant to which Jiangsu Tianteng agreed to provide construction works, including, among other things, decoration renovation, laboratory reconstruction and installation of water, electricity and aeration facilities to Longmark (Shanghai). The construction works should be completed on or before 30 June 2011.

The consideration for the installation and decoration services amounted to RMB 11,477,586, subject to adjustment in accordance with the construction audit report.

**(ii) Writ against Longmark (Shanghai) in PRC**

The Board also wishes to inform Shareholders and potential investors of the Company that a writ of summons was issued by Jiangsu Tianteng in PRC, as the plaintiff, against Longmark (Shanghai), as the defendant, in relation to the disputes arising from the Longmark Construction Agreement. The Writ against Longmark (Shanghai) was filed with Changning District Court in PRC on 17 April 2012.

According to the Writ against Longmark (Shanghai), Jiangsu Tianteng alleged that Longmark (Shanghai) did not pay for the outstanding payment of RMB2,977,586. Jiangsu Tianteng is seeking an order against Longmark (Shanghai) from the Changning District Court to claim (i) the outstanding payment of RMB2,977,586; (ii) interests in respect of the outstanding payment incurred from 11 October 2011 to the judgment date at the bank lending rate for the relevant period; and (iii) the litigation costs in relation to the present action.

Further, Jiangsu Tianteng obtained a civil ruling in PRC on 17 April 2012 pursuant to which Jiangsu Tianteng requested property preservation from the Changning District Court against Longmark (Shanghai) to freeze (i) assets of Longmark (Shanghai) in the sum of RMB2,977,586; and (ii) the house of the

guarantor, Mr. SHI Guo Ke, situated at Room 1001, No 38, 999 Nong, Zhen Hua Road, Bao Shan District, PRC.

**(iii) Disputes**

Longmark (Shanghai) believes that the audited consideration amount should be RMB11,477,586 as stated in the construction audit report instead of the amount of RMB12,827,186 alleged by Jiangsu Tianteng. Further, Longmark (Shanghai) holds the view that Jiangsu Tianteng has not fulfilled its contractual obligations by completing the construction works before 30 June 2011 in accordance with the terms of Longmark Construction Agreement. However, Jiangsu Tianteng alleged that Longmark (Shanghai) agreed to the audited consideration amount of RMB11,477,586 as stated in the construction audit report and confirmed the construction works being completed by signing the construction audit report.

Further, due to the defect of aeration facilities installed by Jiangsu Tianteng, the relevant building is not able to satisfy the relevant fire safety requirements nor obtain the relevant licence to conduct business. As a result, significant economical losses have been incurred to Longmark (Shanghai). Longmark (Shanghai) reserves its rights to claim against Jiangsu Tianteng for such losses.

**(iv) Legal Opinion**

The legal opinion issued by the PRC legal adviser appointed by the Company indicates, among other things, that:

- (i) Based on the fact that (a) Longmark (Shanghai) agreed to the construction audit report; and (b) the actual payment made by Longmark (Shanghai) exceeding 20% and reaching 85% of the total audit consideration, in the opinion of the PRC legal adviser, the Changning District Court may deem the contractual obligations of Jiangsu Tianteng as being completed and may grant unfavorable judgment against Longmark (Shanghai);
- (ii) If Longmark (Shanghai) intends to claim damages against Jiangsu Tianteng in relation to the economical losses incurred by the defect of the fire safety facilities, further evidence will be required;

The Company will vigorously defend against the Ruling against Longmark (Shanghai) and take such other court actions necessary in the PRC as advised by its PRC legal advisers.

At this stage, based on facts and circumstances known to the Board and subject to further legal advice and a detailed assessment of business and financial implications, the Board is of the opinion that, under such circumstances, the Ruling against Longmark (Shanghai), on balance and in general terms, shall not have a substantial impact on the current business operation and financial position of the Company as a whole.

**(v) Impact on Business Operation**

According to the Ruling against Longmark (Shanghai), the assets of Longmark (Shanghai) at the amount RMB2,977,586 were frozen. The frozen assets of Longmark (Shanghai) only account for a minimal number of assets of Longmark (Shanghai) that are currently in-use and Longmark (Shanghai) has enough assets to carry out its normal daily operation. Therefore, the Board holds the view that the business operation of Longmark (Shanghai) shall not be affected.

**(vi) Impact on Financial Position**

Since the claim mainly involves the construction cost, even if the Group loses the litigation, most of the claim amount would be capitalised into the construction project as fixed asset. Therefore there will be no material impact on the total asset and hence net asset value of the Group. Only the litigation costs and interest charges would be treated as expenses in the income statement. The financial impact of the said litigation costs and interest charges on the Income Statement is relatively small, comparing to the recent interim loss of the Group of HKD 22,682,000 for the six months ended on 31 December 2011. Therefore, it is fair and reasonable for the Board to hold the view that no impact on the turnover and debt position of the Group, as all the claims concerning the litigations will be sufficiently paid by the internal funding of the Group.

**(C) GENERAL**

The Company will closely monitor the development of the legal proceedings and issue further announcement(s) to inform its Shareholders as and when the Board thinks appropriate.

CNL (Pinghu) is engaged in the distribution of bio-industrial products and is owned as to 70% by China United Gene Health Limited, an indirect wholly-owned subsidiary of the Company.

Longmark (Shanghai) is engaged in healthcare management services and is owned as to 80% by United Gene (Shanghai), an indirect wholly-owned subsidiary of the Company.

This announcement is made by the Company pursuant to the Rule 13.09(1) of the Listing Rules.

**(D) DEFINITIONS**

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

|  |   |
|--|---|
| “Board”                                | the board of Directors;   |
| “Changning District Court”             | the People’s Court of Changning District of Shanghai of PRC;  |
| “CNL (Pinghu)”                         | 中荷（平湖）生物技術有限公司 (CNL (Pinghu) Biotech Co. Limited*), a company established in the PRC with limited liability and is owned as to 70% owned by China United Gene Health Limited, an indirect wholly owned subsidiary of the Company; |
| “CNL (Pinghu) Construction Agreements” | The agreements entered into between CNL (Pinghu) and Jiangsu Ruifeng, collectively the Construction Contracting Services Agreement, the Construction Agreement and the Supplemental Agreement;                                    |
| “Company”                              | United Gene High-Tech Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange;                                       |

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|---|--|
| “Construction Agreement”                      | the construction agreement entered into between CNL (Pinghu) and Jiangsu Ruifeng dated 17 December 2010 in relation to the provision of installation and decoration services by Jiangsu Ruifeng;   |
| “Construction Contracting Services Agreement” | the construction contracting services agreement entered into between CNL (Pinghu) and Jiangsu Ruifeng dated 8 October 2010 in relation to construction services by Jiangsu Ruifeng;  |
| “Directors”                                   | the directors of the Company;  |
| “Group”                                       | the Company and its subsidiaries;  |
| “HK\$”  | Hong Kong dollars, the lawful currency of Hong Kong;   |
| “Hong Kong”                                   | the Hong Kong Special Administrative Region of the PRC;  |
| “Jiangsu Ruifeng”                             | 江蘇瑞峰建設集團有限公司(Jiangsu Ruifeng Construction Group Co., Limited*), a company established in the PRC with limited liability;   |
| “Jiangsu Tianteng”                            | 江蘇天騰建設集團有限公司(Jiangsu Tianteng Construction Group Co., Limited*), a company established in the PRC with limited liability;  |
| “Listing Rules”                               | the Rules Governing the Listing of Securities on the Stock Exchange;   |
| “Longmark (Shanghai)”                         | 龍脈(上海)健康管理有限公司(Longmark (Shanghai) Healthcare Limited*), a company established in the PRC with limited liability and owned as to 80% owned by 聯合基因(上海)健康管理服務有限公司(United Gene HealthCare Limited, Shanghai*), an indirect wholly owned subsidiary of the Company; |
| “Longmark Construction Agreement”             | the construction agreement entered into between Longmark (Shanghai) and Jiangsu Tianteng dated 23 May 2011 in relation to the provision of construction services by Jiangsu Tianteng;  |
| “Pinghu District Court”                       | the People’s Court of Pinghu District of Zhejiang Province of the PRC;   |
| “PRC”   | the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan;   |
| “RMB”   | Renminbi Yuan, the lawful currency of the PRC;   |
| “Ruling against CNL (Pinghu)”                 | the civil ruling against CNL (Pinghu) dated 24 April 2012 in relation to the disputes arising from the CNL (Pinghu) Construction Agreements;   |
| “Ruling against Longmark (Shanghai)”          | the civil ruling against Longmark (Shanghai) dated 17 April 2012 in relation to the disputes arising from the Longmark Construction Agreement;   |

|                                    |   |
|------------------------------------|---|
| “Shareholders”                     | the shareholders of the Company;  |
| “Stock Exchange”                   | the Stock Exchange of Hong Kong Limited;  |
| “Supplemental Agreement”           | the supplemental agreement entered into between CNL (Pinghu) and Jiangsu Ruifeng dated 8 March 2011 in relation to the Construction Contracting Services Agreement; |
| “Writ against Longmark (Shanghai)” | the writ of summons issued by Jiangsu Tianteng against Longmark (Shanghai) in relation to the disputes arising from the Longmark Construction Agreement;            |
| “Writ against CNL (Pinghu)”        | the writ of summons issued by Jiangsu Ruifeng against CNL (Pinghu) in relation to the disputes arising from the CNL (Pinghu) Construction Agreement; and            |
| “%”                                | per cent.   |

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 25 May 2012

*As at the date of this announcement, the board of Directors of the Company 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 Directors).*

*Please also refer to the published version of this announcement on the Company's website: [www.unitedgenegroup.com](http://www.unitedgenegroup.com) and [www.irasia.com/listco/hk/unitedgene](http://www.irasia.com/listco/hk/unitedgene).*

\* *For identification purposes only*