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If you have sold or transferred all your shares in United Gene High-Tech Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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 and continued in Bermuda with limited liability)
(Stock Code: 399)

**(1) PROPOSED PLACING OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE;
(2) CONNECTED TRANSACTION INVOLVING
PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser



WALLBANCK BROTHERS
Securities (Hong Kong) Limited

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



GUANGDONG SECURITIES LIMITED

Placing Agent



Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 5 to 31 of this circular. A letter from the Independent Board Committee is set out on pages 32 to 33 of this circular. A letter from Guangdong Securities, the Independent Financial Adviser of the Company, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 54 of this circular.

A notice convening the SGM to be held at Room Nos. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong on Thursday, 23 May 2013 at 4:00 p.m. is set out on pages 60 to 62 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon, and return the same to the branch share registrar and transfer agent of the Company in Hong Kong, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

26 April 2013

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DEFINITIONS

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

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any days (excluding Saturday, Sunday or public holidays) on which licensed banks in Hong Kong are open to the general public for business
“BVI”	British Virgin Islands
“Company”	United Gene High-Tech Group Limited (聯合基因科技集團有限公司), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion of the Placing”	the completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“Completion of the Subscription”	the completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Conversion Price”	HK\$0.40 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	a maximum of 332,500,000 new Shares to be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	collectively, Convertible Bonds A and Convertible Bonds B
“Convertible Bonds A”	the 10 year, 0.1% convertible bonds up to an aggregate principal amount of HK\$74,000,000 to be issued by the Company to the Placees pursuant to the Placing Agreement

DEFINITIONS

“Convertible Bonds B”	the 10 year, 0.1% convertible bonds in an aggregate principal amount of HK\$59,000,000 to be issued by the Company to the Subscribers pursuant to the Subscription Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee (comprising all the independent non-executive Directors) to advise the Independent Shareholders as to whether the transactions contemplated under the Subscription Agreement, including the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to Convertible Bonds B under the Specific Mandate, entered into between the Company and the Subscribers are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole
“Independent Financial Adviser” or “Guangdong Securities”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription and Specific Mandate
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are independent of, not connected with and not acting in concert (as defined in the Takeovers Code) with the Company or any director, chief executive, substantial shareholder (as defined in the Listing Rules) or connected persons of the Company or any of their respective subsidiaries or any of their respective associates

DEFINITIONS

“Independent Shareholders”	holders of Shares other than the Subscribers and their respective associates
“Latest Practicable Date”	23 April 2013, being the latest practicable date for ascertaining certain information contained herein
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any institutional investors, professional investors or private investors to be procured by the Placing Agent for and on behalf of the Company to subscribe for Convertible Bonds A pursuant to the Placing Agreement, which shall be Independent Third Parties
“Placing”	the placing of Convertible Bonds A by or on behalf of the Placing Agent to the Placees pursuant to the Placing Agreement
“Placing Agent”	Grand Vinco Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement dated 18 February 2013 (as supplemented and amended by a supplemental agreement dated 19 April 2013) entered into between the Company and the Placing Agent in relation to the Placing
“PRC”	the People’s Republic of China
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve, among others, (i) the Placing Agreement and the transactions contemplated thereunder; (ii) the Subscription Agreement and the transactions contemplated hereunder; and (iii) the grant of the Specific Mandate for the allotment and issue of the Conversion Shares
“SFC”	Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company or shares of any class or classes resulting from any sub-division, consolidation or re-classification of such Shares, which as between themselves have no preference in respect of voting rights or dividends or of amounts payable in the event of any voluntary or involuntary liquidation or distribution of the Company
“Shareholders”	the registered holder(s) of the Shares
“Specific Mandate”	the specific mandate for the issue of the Conversion Shares to be granted to the Directors by the Shareholders and the Independent Shareholders at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber I”	United Gene Holdings Limited, a company incorporated in the BVI with limited liability of which the total equity interest is wholly owned by Subscriber II
“Subscriber II”	Dr. Mao Yumin, the ultimate beneficial owner of Subscriber I
“Subscribers”	collectively, Subscriber I and Subscriber II
“Subscription”	the subscription of Convertible Bonds B by the Subscribers pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 18 February 2013 (as supplemented and amended by a supplemental agreement dated 19 April 2013) entered into between the Company and the Subscribers in relation to the Subscription
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC
“%”	per cent.



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)

Executive Directors:

Ms. Lee Nga Yan

Dr. Guo Yi

Non-executive Directors:

Ms. Jiang Nian (*Chairman*)

Ms. Xiao Yan

Ms. Wu Yanmin

Independent non-executive Directors:

Ms. Chen Weijun

Dr. Zhang Zhihong

Mr. Wang Rongliang

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of

business in Hong Kong:

Room Nos. 1405-1406

Harbour Centre

No. 25 Harbour Road

Wanchai, Hong Kong

26 April 2013

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PLACING OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE;
(2) CONNECTED TRANSACTION INVOLVING
PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 18 February 2013 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to issue and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six Placees to subscribe for Convertible Bonds A of up to an aggregate principal amount of HK\$74,000,000 due on the 10th anniversary of the date of issue, with the conversion rights to convert into a maximum of 185,000,000 Conversion Shares at the Conversion Price of HK\$0.40 (subject to adjustments) per Conversion Share.

LETTER FROM THE BOARD

On 18 February 2013 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers, pursuant to which the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for Convertible Bonds B with an aggregate principal amount of HK\$59,000,000, for which each of Subscriber I and Subscriber II has conditionally agreed to subscribe for Convertible Bonds B with the principal amount of HK\$45,000,000 and HK\$14,000,000 respectively, due on the 10th anniversary of the date of issue, with the conversion rights to convert into a total of 147,500,000 Conversion Shares at the Conversion Price of HK\$0.40 (subject to adjustments) per Conversion Share.

As the Subscribers are connected persons of the Company, the Subscription Agreement and the transactions contemplated thereunder constitute a non-exempt connected transaction for the Company and are subject to reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders as to whether the transactions contemplated under the Subscription Agreement, including the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to Convertible Bonds B under the Specific Mandate, entered into between the Company and the Subscribers are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) further details relating to the Placing Agreement and the transactions contemplated thereunder; (ii) further details relating to the Subscription Agreement and the transactions contemplated thereunder; (iii) a letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder; and (v) a notice of the SGM to be held and convened.

THE PLACING AGREEMENT

Date

18 February 2013 (as supplemented and amended by a supplemental agreement dated 19 April 2013)

Parties

Issuer: The Company

Placing Agent: Grand Vinco Capital Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

LETTER FROM THE BOARD

Pursuant to the Placing Agreement, the Company has conditionally agreed to issue and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six Placees to subscribe for Convertible Bonds A of up to an aggregate principal amount of HK\$74,000,000 due on the 10th anniversary of the date of issue, with the conversion right to convert into a maximum of 185,000,000 Conversion Shares at the Conversion Price of HK\$0.40 (subject to adjustments) per Conversion Share.

Placees

The Placing Agent shall use all reasonable endeavours to ensure that the Placees and their respective ultimate beneficial owners shall be Independent Third Parties.

Placing commission

The Placing Agent will receive a placing commission of 2% of the principal amount of Convertible Bonds A actually placed by the Placing Agent, which was determined after arm's length negotiations between the Company and the Placing Agent and with reference to prevailing placing commission charged by other placing agents in the market.

PRINCIPAL TERMS OF CONVERTIBLE BONDS A

The principal terms of Convertible Bonds A are summarised below:

Principal amount:	Up to an aggregate principal amount of HK\$74,000,000
Maturity date:	10th anniversary of the date of issue
Interest:	0.1% per annum, payable on an annual basis
Conversion Price:	The Conversion Price is HK\$0.40 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of Convertible Bonds A.

The Conversion Price of HK\$0.40 represents:

- (i) a discount of approximately 8.05% to the closing price of HK\$0.435 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 9.09% to the closing price of HK\$0.440 per Share as quoted on the Stock Exchange on the date of signing of the Placing Agreement;
- (iii) a discount of approximately 6.10% to the average closing price of HK\$0.426 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to the date of signing of the Placing Agreement;

LETTER FROM THE BOARD

- (iv) a discount of approximately 3.61% to the average closing price of approximately HK\$0.415 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the date of signing of the Placing Agreement; and
- (v) a discount of approximately 17.36% to the net asset price of approximately HK\$0.484 per Share, calculated based on the unaudited consolidated net asset of HK\$382,643,000 as at 31 December 2012 and 790,693,024 Shares in issue as at the date of the Placing Agreement.

The Conversion Price was determined after arm's length negotiations between the Company and the Placing Agent, with reference to the recent performance of the Shares, the Group's existing financial position and current market conditions.

Adjustment events: The Conversion Price shall from time to time be adjusted upon occurrences of certain events, including but not limited to the followings:-

- (i) consolidation or sub-division of Shares;
- (ii) capitalisation of profits;
- (iii) capital distribution;
- (iv) issue of Shares by way of rights, options and warrants;
- (v) issue of any securities if and whenever the Company shall issue wholly for cash which are convertible into, exchangeable for or carry rights of subscription for Shares;
- (vi) modification of rights of conversion or exchange or subscription attaching to any such securities;
- (vii) issue of Shares wholly for cash at more than 20% discount to the market price of such Shares; and
- (viii) issue of Shares for acquisition of asset at more than 20% discount to the market price of such Shares.

LETTER FROM THE BOARD

Conversion Shares: Based on the initial Conversion Price of HK\$0.40, a maximum number of 185,000,000 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to Convertible Bonds A, which represent:

- (i) approximately 23.40% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 18.96% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercise in full of the conversion rights attaching to Convertible Bonds A; and
- (iii) approximately 16.47% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercise in full of the conversion rights attaching to the Convertible Bonds.

The Conversion Shares upon exercise of the conversion rights attaching to Convertible Bonds A shall be allotted and issued under the Specific Mandate to be granted to the Directors by the Shareholders at the SGM.

Conversion rights: Each holder of Convertible Bonds A shall have the right, exercisable during the Conversion Period (as defined below) to convert the whole or any part (in multiples of HK\$400,000) of the outstanding principal amount of Convertible Bonds A held by such holder of Convertible Bonds A into such number of Conversion Shares as will be determined by dividing the principal amount of Convertible Bonds A to be converted by the Conversion Price in effect on the date of conversion.

No fraction of a Share shall be issued on conversion of the Convertible Bonds and no cash adjustments will be made.

Conversion restrictions: Upon exercise of the conversion rights attaching to Convertible Bonds A,

LETTER FROM THE BOARD

- (i) the holders of Convertible Bonds A and their respective associates, together with parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code;
- (ii) the public float of the Company will not be unable to meet the relevant requirements under the Listing Rules; and
- (iii) the holders of Convertible Bonds A and its/their associates shall not become the substantial Shareholders of the Company (as defined in the Listing Rules).

Conversion Period: The period commencing from the date of issue of Convertible Bonds A and ending on the day which falls on the 10th anniversary of the date of issue of Convertible Bonds A.

Early redemption: The Company shall be entitled at its sole discretion, by giving not less than 14 Business Days notice to the holders of Convertible Bonds A, to redeem all or part of the outstanding Convertible Bonds A at an amount equal to 100% of the principal amount of the said outstanding Convertible Bonds A at any time from the date of issue of Convertible Bonds A together with interest accrued to the date fixed for redemption.

The Company possesses the final redemption rights to redeem Convertible Bonds A at 100% of the principal amount of Convertible Bonds A together with interest accrued to the date fixed for redemption, within 7 Business Days after the holders of Convertible Bonds A have duly delivered a conversion notice to the Company.

Ranking: Conversion Shares to be allotted and issued upon exercise of the conversion rights attaching to Convertible Bonds A shall rank *pari passu* in all respects among themselves and with all other existing Shares outstanding at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.

Transferability: Any transfer of Convertible Bonds A shall be in respect of the whole or any part (in multiples of HK\$400,000) of the principal amount of Convertible Bonds A.

LETTER FROM THE BOARD

Application for listing:	No application will be made by the Company to the Stock Exchange for listing of Convertible Bonds A. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.
Notice of conversion by other bondholders:	The Company may, upon request by the holders of Convertible Bonds A in writing, notify the holders of Convertible Bonds A about the conversion of the convertible bonds of the Company by other bondholders within 7 Business Days from the date of receipt of the relevant conversion notice.

Conditions precedent of the Placing

The Placing Agreement is conditional upon:

- (i) the passing of resolution(s) by the Shareholders to approve the Placing Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to Convertible Bonds A under the Specific Mandate at the SGM;
- (ii) the Listing Committee granting approval for the listing of, and permission to deal in, the Conversion Shares falling to be issued and allotted on the exercise of the conversion rights attaching to Convertible Bonds A either unconditionally or subject to conditions to which the Company does not object and all other necessary waivers, consents and approvals as required under the Listing Rules in relation to the Company with respect to the Placing Agreement and the transactions contemplated therein being obtained and/or complied with (including but not limited to (if required) the Listing Committee having approved the issue of Convertible Bonds A either unconditionally or subject to conditions to which the Placing Agent may accept);
- (iii) the relevant monetary authority approving the issue of the Conversion Shares concerning the Placing (if required);
- (iv) any other approval as may be required for the Placing;
- (v) the passing of resolution(s) by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares concerning the Subscription Agreement under the Specific Mandate at the SGM;

LETTER FROM THE BOARD

- (vi) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares falling to be issued and allotted on the exercise of the conversion rights attaching to Convertible Bonds B either unconditionally or subject to conditions to which the Company does not object and all other necessary waivers, consents and approvals as required under the Listing Rules in relation to the Company with respect to the Subscription Agreement and the transactions contemplated therein being obtained and/or complied with (including but not limited to (if required) the Listing Committee having approved the issue of Convertible Bonds B either unconditionally or subject to conditions to which the Subscribers may accept);
- (vii) the relevant monetary authority approving the issue of the Conversion Shares concerning the Subscription (if required); and
- (viii) any other approval as may be required for the Subscription.

If the above conditions are not fulfilled on or before 5:00 p.m. (Hong Kong time), 30 June 2013 or such later time or date as may be agreed between the Placing Agent and the Company in writing, the obligations of the Placing Agent and the Company under the Placing Agreement shall forthwith cease and terminate and neither the Company nor the Placing Agent shall have any claim against the other party, save for any antecedent breach thereof provided that the clause in relation to the payment of fees, commissions and expenses, and indemnification and no claim under the Placing Agreement shall survive such termination and remain in full force and effect.

Each party undertakes, and in favour of the other party, to exercise its best endeavours to procure the fulfilment of the above conditions, including without limitation, by making all necessary applications and the timely supply of information to the Stock Exchange and the SFC and other relevant governmental or regulatory authorities.

LETTER FROM THE BOARD

Termination of the Placing

If at any time prior to 9:00 a.m. on the date of Completion of the Placing, there develops, occurs or comes into force:

- (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) which may in the fair and reasonable opinion of the Placing Agent materially and adversely affect the business or financial condition or prospects of the Group as a whole; or
- (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date hereof) of a political, military, economic or other nature (whether or not *ejusdem generis* with the foregoing) which, in the fair and reasonable opinion of the Placing Agent will, or may be expected to, have a material adverse effect on the Placing; or
- (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the fair and reasonable opinion of the Placing Agent has or may have a material adverse effect on the Placing; or
- (d) any breach of any of the warranties under the Placing Agreement which in the fair and reasonable opinion of the Placing Agent is material in the context of the Placing, comes to the knowledge of the Placing Agent or there has been a breach by the Company of any other provision of the Placing Agreement which in the fair and reasonable opinion of the Placing Agent is material in the context of the Placing; or
- (e) there is any material adverse change in the business or in the financial or trading position of the Group taken as a whole which the Placing Agent is unaware of and which in the fair and reasonable opinion of the Placing Agent is material in the context of the Placing;

then and in any such case, the Placing Agent may, in its fair and reasonable opinion (and after consultation with the Company) terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, which notice may be given at any time prior to the date of Completion of the Placing.

In the event that the Placing Agreement is terminated pursuant to the above, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement and the payment obligation of the Company to the Placing Agent.

LETTER FROM THE BOARD

Completion of the Placing

Completion of the Placing shall take place within 7 Business Days following the day on which all conditions precedent of the Placing are satisfied and fulfilled, or such later date as may be agreed by the Company and the Placing Agent in writing.

THE SUBSCRIPTION AGREEMENT

Date

18 February 2013 (as supplemented and amended by a supplemental agreement dated 19 April 2013)

Parties

Issuer: The Company

Subscribers: Subscriber I and Subscriber II

As at the Latest Practicable Date, Subscriber I, together with its associates, are beneficially interested in an aggregate of 280,501,350 Shares, representing approximately 35.48% of the total issued share capital of the Company.

As at the Latest Practicable Date, Subscriber II, the ultimate beneficial owner of Subscriber I, together with his associates, are beneficially interested in an aggregate of 280,501,350 Shares, representing approximately 35.48% of the total issued share capital of the Company.

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for Convertible Bonds B with an aggregate principal amount of HK\$59,000,000, for which each of Subscriber I and Subscriber II has conditionally agreed to subscribe for Convertible Bonds B with the principal amount of HK\$45,000,000 and HK\$14,000,000 respectively, due on the 10th anniversary of the date of issue with the conversion rights to convert into a total of 147,500,000 Conversion Shares at the Conversion Price of HK\$0.40 (subject to adjustments) per Conversion Share.

PRINCIPAL TERMS OF CONVERTIBLE BONDS B

The principal terms of Convertible Bonds B are summarised below:

Principal amount: An aggregate principal amount of HK\$59,000,000, for which each of Subscriber I and Subscriber II has conditionally agreed to subscribe the principal amount of HK\$45,000,000 and HK\$14,000,000 respectively

LETTER FROM THE BOARD

Maturity date:	10th anniversary of the date of issue
Interest:	0.1% per annum, payable on an annual basis
Conversion Price:	The Conversion Price is HK0.40 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds.

The Conversion Price of HK\$0.40 represents:

- (i) a discount of approximately 8.05% to the closing price of HK\$0.435 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 9.09% to the closing price of HK\$0.440 per Share as quoted on the Stock Exchange on the date of signing of the Subscription Agreement;
- (iii) a discount of approximately 6.10% to the average closing price of HK\$0.426 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to the date of signing of the Subscription Agreement;
- (iv) a discount of approximately 3.61% to the average closing price of approximately HK\$0.415 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the date of signing of the Subscription Agreement; and
- (v) a discount of approximately 17.36% to the net asset price of approximately HK\$0.484 per Share, calculated based on the unaudited consolidated net asset of HK\$382,643,000 as at 31 December 2012 and 790,693,024 Shares in issue as at the date of the Subscription Agreement.

The Conversion Price was determined after arm's length negotiations between the Company and the Subscribers, with reference to the recent performance of the Shares, the Group's existing financial position and current market conditions.

LETTER FROM THE BOARD

- Adjustment events: The Conversion Price shall from time to time be adjusted upon occurrences of certain events, including but not limited to the followings:-
- (i) consolidation or sub-division of Shares;
 - (ii) capitalisation of profits;
 - (iii) capital distribution;
 - (iv) issue of Shares by way of rights, options and warrants;
 - (v) issue of any securities if and whenever the Company shall issue wholly for cash which are convertible into, exchangeable for or carry rights for subscription of Shares;
 - (vi) modification of rights of conversion or exchange or subscription attaching to any such securities;
 - (vii) issue of Shares wholly for cash at more than 20% discount to the market price of such Shares; and
 - (viii) issue of Shares for acquisition of asset at more than 20% discount to the market price of such Shares.
- Conversion Shares: Based on the initial Conversion Price of HK\$0.40, a total of 147,500,000 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to Convertible Bonds B, which represent:
- (i) approximately 18.65% of the existing issued share capital of the Company as at the Latest Practicable Date;
 - (ii) approximately 15.72% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercise in full of the conversion rights attaching to Convertible Bonds B; and

LETTER FROM THE BOARD

- (iii) approximately 13.13% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercise in full of the conversion rights attaching to the Convertible Bonds.

The Conversion Shares upon exercise of the conversion rights attaching to Convertible Bonds B shall be allotted and issued under the Specific Mandate to be granted to the Directors by the Independent Shareholders at the SGM.

Conversion right:

Each holder of Convertible Bonds B shall have the right, exercisable during the Conversion Period (as defined below) to convert the whole or any part (in multiples of HK\$400,000) of the outstanding principal amount of Convertible Bonds B held by such holder of Convertible Bonds B into such number of Conversion Shares as will be determined by dividing the principal amount of Convertible Bonds B to be converted by the Conversion Price in effect on the date of conversion.

No fraction of a Share shall be issued on conversion of the Convertible Bonds and no cash adjustments will be made.

Conversion Period:

The period commencing from the date of issue of the Convertible Bond B and ending on the day which falls on the 10th anniversary of the date of issue of Convertible Bonds B.

Conversion restrictions:

Upon exercise of the conversion rights attaching to Convertible Bonds B,

- (i) the holders of Convertible Bonds B and their respective associates, together with parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; and
- (ii) the public float of the Company will not be unable to meet the relevant requirements under the Listing Rules.

LETTER FROM THE BOARD

- Early redemption: The Company shall be entitled at its sole discretion, by giving not less than 14 Business Days notice to the holders of Convertible Bonds B, to redeem all or part of the outstanding Convertible Bonds B at an amount equal to 100% of the principal amount of the said outstanding Convertible Bonds B at any time from the date of issue of the Convertible Bonds B together with interest accrued to the date fixed for redemption.
- The Company possesses the final redemption rights to redeem Convertible Bonds B at 100% of the principal amount of Convertible Bonds B together with interest accrued to the date fixed for redemption, within 7 Business Days after the holder of Convertible Bonds B has duly delivered a conversion notice to the Company.
- Ranking: Conversion Shares to be allotted and issued upon exercise of the conversion rights attaching to Convertible Bonds B shall rank *pari passu* in all respects among themselves and with all other existing Shares outstanding at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.
- Transferability: Any transfer of Convertible Bonds B shall be in respect of the whole or any part (in multiples of HK\$400,000) of the principal amount of Convertible Bonds B.
- Application for listing: No application will be made by the Company to the Stock Exchange for listing of Convertible Bonds B. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.
- Notice of conversion by other bondholders: The Company may, upon request by the holders of Convertible Bonds B in writing, notify the holders of Convertible Bonds B about the conversion of the convertible bonds of the Company by other bondholders within 7 Business Days from the date of receipt of the relevant conversion notice.

LETTER FROM THE BOARD

Conditions precedent of the Subscription

The Subscription Agreement is conditional upon:

- (i) the passing of resolution(s) by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to Convertible Bonds B under the Specific Mandate at the SGM;
- (ii) the Listing Committee granting approval for the listing of, and permission to deal in, the Conversion Shares falling to be issued and allotted on the exercise of the conversion rights attaching to Convertible Bonds B either unconditionally or subject to conditions to which the Company does not object and all other necessary waivers, consents and approvals as required under the Listing Rules in relation to the Company with respect to the Subscription Agreement and the transactions contemplated thereunder being obtained and/or complied with (including but not limited to (if required) the Listing Committee having approved the issue of Convertible Bonds B either unconditionally or subject to conditions to which the Subscribers may accept);
- (iii) the relevant monetary authority approving the issue of the Conversion Shares concerning the Subscription (if required);
- (iv) any other approval as may be required for the Subscription;
- (v) the passing of resolution(s) by the Shareholders to approve the Placing Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares concerning the Placing Agreement under the Specific Mandate at the SGM;
- (vi) the Listing Committee granting approval for the listing of, and permission to deal in, the Conversion Shares falling to be issued and allotted on the exercise of the conversion rights attaching to Convertible Bonds A either unconditionally or subject to conditions to which the Company does not object and all other necessary waivers, consents and approvals as required under the Listing Rules in relation to the Company with respect to the Placing Agreement and the transactions contemplated therein being obtained and/or complied with (including but not limited to (if required) the Listing Committee having approved the issue of Convertible Bonds A either unconditionally or subject to conditions to which the Placing Agent may accept);
- (vii) the relevant monetary authority approving the issue of the Conversion Shares concerning the Placing (if required); and
- (viii) any other approval as may be required for the Placing.

LETTER FROM THE BOARD

If the above conditions are not fulfilled on or before 5:00 p.m. (Hong Kong time), 30 June 2013 or such later time or date as may be agreed between the Subscribers and the Company in writing, the obligations of the Subscribers and the Company under the Subscription Agreement shall forthwith cease and terminate and neither the Company nor the Subscribers shall have any claim against the other party, save for any antecedent breach thereof provided that the clause in relation to the payment of fees and expenses under the Subscription Agreement shall survive such termination and remain in full force and effect.

Each party undertakes, and in favour of the other party, to exercise its best endeavours to procure the fulfilment of the above conditions, including without limitation, by making all necessary applications and the timely supply of information to the Stock Exchange and the SFC and other relevant governmental or regulatory authorities.

Termination of the Subscription

If at any time prior to 9:00 a.m. on the date of Completion of the Subscription, there develops, occurs or comes into force:

- (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) which may in the fair and reasonable opinion of the Subscribers materially and adversely affect the business or financial condition or prospects of the Group as a whole; or
- (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date hereof) of a political, military, economic or other nature (whether or not *ejusdem generis* with the foregoing) which, in the fair and reasonable opinion of the Subscribers will, or may be expected to, have a material adverse effect on the Subscription; or
- (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the fair and reasonable opinion of the Subscribers have or may have a material adverse effect on the Subscription; or
- (d) any breach of any of the warranties under the Subscription Agreement which in the fair and reasonable opinion of the Subscribers is material in the context of the Subscription, comes to the knowledge of the Subscribers or there has been a breach by the Company of any other provision of the Subscription Agreement which in the fair and reasonable opinion of the Subscribers is material in the context of the Subscription; or
- (e) there is any material adverse change in the business or in the financial or trading position of the Group taken as a whole which the Subscribers are unaware of and which in the fair and reasonable opinion of the Subscribers is material in the context of the Subscription;

LETTER FROM THE BOARD

then and in any such case, the Subscribers may, in their fair and reasonable opinion (and after consultation with the Company) terminate the Subscription Agreement without liability to the Company by giving notice in writing to the Company, which notice may be given at any time prior to the date of Completion of the Subscription.

In the event that the Subscription Agreement is terminated pursuant to the above, all obligations of each of the parties under the Subscription Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Subscription Agreement except for any antecedent breach of any obligation under the Subscription Agreement and the payment obligation of the Company to the Subscribers.

Completion of the Subscription

Completion of the Subscription shall take place within 7 Business Days following the day on which all conditions precedent of the Subscription are satisfied and fulfilled, or such later date as may be agreed by the Company and the Subscribers in writing.

As the Placing Agreement and the Subscription Agreement are inter-conditional only on the conditions precedent and not the completion, each of the Placing and the Subscription is able to be completed separately once the relevant conditions precedent for the Placing or the Subscription have been satisfied or fulfilled. Therefore, the Placing and Subscription are not required to be completed simultaneously or in any particular sequence.

REASONS FOR THE PLACING AND THE SUBSCRIPTION

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

According to the Company's announcement dated 8 February 2013 concerning the interim results for the six months ended 31 December 2012 (the "**Interim Results Announcement**"), the restricted bank balances and bank and cash balances (the "**Financial Resources**") were approximately HK\$223,000 and HK\$231,757,000 respectively. The Financial Resources are preliminarily and initially expected to be allocated (i) as to approximately 22% for the general working capital of the existing business segments (the "**Existing Businesses**"), i.e. distribution of gene testing services, distribution of bio-industrial products and provision of health care management services, and the Group; (ii) as to approximately 58% for the financing of and investing in business relating to health care, pharmaceutical and biotechnology, including but not limited to oral insulin (the "**Potential Business**") and (iii) as to approximately 20% for contingent cash reserve of the Group. The said allocation is subject to change and yet to be finalised.

Reference is made to the prospectuses of the Company dated 29 April 2010 and 18 July 2012 respectively concerning the rights issue. Since 2010, the Company has been in the process of considering and assessing a number of investment opportunities concerning the Potential Business (including but not limited to those from the connected

LETTER FROM THE BOARD

persons of the Company, including the investment in oral insulin by the Subscribers). Since then, the Company has been conducting continuous assessment, follow up and consultation with professional parties on various requirements on and feasibility of the said investment opportunities, and contemplating at their relevant stage of success of the research and development of relevant products and their risks and returns, in accordance with the principle of prudence for investment decision.

Reference is also made to the voluntary announcement of the Company dated 15 April 2013 as the Company has commenced negotiation from 12 April 2013 (after trading hours) with Subscriber II on a possible acquisition of his investments in oral insulin related business, including but not limited to the securities of Extrawell Pharmaceutical Holdings Limited (Stock Code: 858) (the “**Possible Acquisition**”).

However, up to the Latest Practicable Date, the Company has not yet confirmed and finalised the investment decision. The Company shall expedite shortly the finalisation of its investment decision and shall not exclude the possibility of entering into relevant agreement(s) concerning the Possible Acquisition shortly after the Latest Practicable Date, along with its long term and continuous adoption of the policy of prudence for investment decision.

Shareholders and potential investors are advised to be cautious and be aware of the relevant update announcement(s) concerning the Possible Acquisition and/or other Potential Business to be issued by the Company after the publication of this circular.

The Company shall resort to all types of investment channels, including but not limited to, by making either direct investment in the Potential Business related projects or indirect investment, through acquisition of listed and/or unlisted securities, in companies with principal business relating to the Potential Business.

In determining the Potential Business, the Board has considered, including but not limited to, the following factors:

- (i) the Potential Business related products ready to be sold or whether at a relatively mature stage of the research and development process or with a high potential customer base that can bring substantial and sustainable positive cash flow, revenue and earnings to the Company; and
- (ii) companies with an existing or a future investment plan(s) in the Potential Business and a management team with significant expertise in the said business.

Up to the Latest Practicable Date, the Company has not entered into any written agreement, memorandum of understanding, letter of understanding or intention concerning the Potential Business and the Possible Acquisition.

LETTER FROM THE BOARD

The Board has reviewed the potential dilution effects of the Placing and the Subscription to the Shareholders and the interest burden incurred from the Convertible Bonds to the Company. Having considered that the Placing and the Subscription will provide (i) the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders; (ii) an opportunity for the Company, if the conversion rights attaching to the Convertible Bonds are exercised, to enlarge its capital base; (iii) the relatively low interest burden of 0.1% from the Convertible Bonds; and (iv) the relatively long maturity date of the Convertible Bonds, it is fair and reasonable for the Board to hold the view that the benefits of the Placing and the Subscription outweigh the possible dilution impact on the existing Shareholders.

After taking into account (a) the net proceeds of approximately HK\$76.78 million from the previous rights issue in June 2012 has not yet been utilized; (b) the possible dilutive effect of the Placing and the Subscription; and (c) the potential new investments have not been finalised, it is fair and reasonable for the Board to hold the view that there is a need to conduct fund raising activities in light of the high uncertainties and volatilities in global financial market and the benefit of maintaining high financial flexibility to make timely and prompt response to any potential new investments, including but not limited to the Potential Business and the Possible Acquisition, in order to increase the value of the Shareholders.

The Board has considered other financing alternatives namely, bank borrowings, rights issue or open offer. However, the Company is difficult to obtain favorable terms on bank borrowings due to recent temporarily unsatisfactory business and financial performances and time and cost to be involved for a rights issue or open offer is likely to be higher than the Placing and the Subscription. Moreover, considering that the interest burden of 0.1% incurred from the Convertible Bonds is relatively low and that there is no immediate dilution effect from the Placing and the Subscription, it is fair and reasonable for the Board to hold the view that the Placing and the Subscription represent a fair and reasonable fund raising arrangement. Furthermore, taking into consideration of the current favourable equity market condition in Hong Kong and the relatively shorter time frame required, it is fair and reasonable for the Board to hold the view that the Placing and the Subscription are the appropriate arrangements as compared to other fund raising methods.

Having considered the above, it is fair and reasonable for the Board to hold the view that the entering into the Placing Agreement and the Subscription Agreement, including the allotment and issue of the Conversion Shares under the Specific Mandate, are on normal commercial terms, and the terms and conditions of the Placing Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FUTURE PLANS ON THE EXISTING AND NEW BUSINESSES

As indicated in the Interim Results Announcement, the Company's future business plans on the Existing Businesses and new businesses are as follows:-

A. Future plans on the Existing Businesses

(1) *Distribution of gene testing services*

In view of market changes and to accommodate the long-term development plans, the Group increased its sales channels and adjusted its operating strategy at the beginning of 2012 by gradually shifting its focus of sales effort from the general public to the professional channels, mainly hospitals and health centres.

(2) *Distribution of bio-industrial products*

The Group will continue to explore other opportunities for further growth in the bio-industrial products business through strategic cooperation with the world's leading biotechnology enterprises, whether in the aspects of business, product or technology. The Group will also strive to build a sound product portfolio which offers high profitability potential.

(3) *Provision of health care management services*

The management of the Health Care Centre has been actively developing cooperation channels in various aspects while the 龍冠門診部 (Longguan Outpatient Department*) established by a non-wholly owned subsidiary of the Group is ready to commence full operations in early 2013 and is expected to commence operations officially in the upcoming Chinese New Year. The Health Care Centre and its outpatient department are situated in a favorable geographical location which is expected to solve the problem of insufficient medical resources faced by the surrounding area after they have commenced operations. It is expected that sales volume will also reach a considerable level for the whole of 2013.

The operation of Longguan Outpatient Department has been commenced since 2013.

B. Future plans on the new businesses

On top of developing the aforementioned businesses, the Group will continue to proactively explore for attractive investments in the PRC and globally with the aim of (i) developing the businesses of the Group and other new businesses, including but not limited to the Potential Business and details of which are discussed above; and (ii) generating positive cash flow and earnings for the Group in the long-term.

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USE OF PROCEEDS

Assuming Convertible Bonds A, up to an aggregate principal amount of HK74,000,000, are placed in full by the Placing Agent, the maximum gross proceeds and net proceeds (after deducting the relevant expenses of approximately HK\$1,800,000) from the Placing will be approximately HK\$74,000,000 and HK\$72,200,000 respectively. The Company intends to apply all the net proceeds from the Placing for the financing of potential investments, including but not limited to the Potential Business and the Possible Acquisition, and details of which are discussed above, as and when appropriate. The net conversion price per Conversion Share under the Placing will be approximately HK\$0.39.

The gross proceeds and net proceeds (after deducting the relevant expenses of approximately HK\$200,000) from the Subscription will be approximately HK\$59,000,000 and HK\$58,800,000 respectively. The Company intends to apply all the net proceeds from the Subscription for the financing of potential investments, including but not limited to the Potential Business and the Possible Acquisition, details of which are discussed above, as and when appropriate. The net conversion price under the Subscription will be approximately HK\$0.40.

In the event that no potential investments are finalised, the Company may deposit the said net proceeds from the Placing and the Subscription at bank or to purchase liquid and secured financial securities.

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion of the Placing but before Completion of the Subscription, assuming exercise in full of the conversion rights attaching to Convertible Bonds A at the Conversion Price of HK\$0.40 (subject to adjustments) per Conversion Share; (iii) immediately after Completion of the Subscription but before Completion of the Placing, assuming exercise in full of the conversion rights attaching to Convertible Bonds B at the Conversion Price of HK\$0.40 (subject to adjustments) per Conversion Share; and (iv) immediately after Completion of the Placing and Completion of the Subscription, assuming exercise in full of the conversion rights attaching to the Convertible Bonds at the Conversion Price of HK\$0.40 (subject to adjustments) per Conversion Share, for illustration purpose only: –

	As at the Latest Practicable Date		Immediately after Completion of the Placing but before Completion of the Subscription and assuming exercise in full of the conversion rights attaching to Convertible Bonds A at the Conversion Price of HK\$0.40 (subject to adjustments) per Conversion Share		Immediately after Completion of the Subscription but before Completion of the Placing and assuming exercise in full of the conversion rights attaching to Convertible Bonds B at the Conversion Price of HK\$0.40 (subject to adjustments) per Conversion Share		Immediately after Completion of the Placing and Completion of the Subscription and assuming exercise in full of the conversion rights attaching to the Convertible Bonds at the Conversion Price of HK\$0.40 (subject to adjustments) per Conversion Share	
	No. of Shares	Approximate % of issued share capital of the Company	No. of Shares	Approximate % of issued share capital of the Company	No. of Shares	Approximate % of issued share capital of the Company	No. of Shares	Approximate % of issued share capital of the Company
Substantial Shareholders								
Best Champion Holdings Limited (Note 1)	61,650,000	7.80%	61,650,000	6.32%	61,650,000	6.57%	61,650,000	5.49%
China United Gene Investment Holdings Limited (Note 2)	190,851,350	24.14%	190,851,350	19.56%	190,851,350	20.34%	190,851,350	16.99%
Subscriber I	28,000,000	3.54%	28,000,000	2.87%	140,500,000	14.98%	140,500,000	12.51%
Subscriber II	-	-	-	-	35,000,000	3.73%	35,000,000	3.12%
Sub-total	280,501,350	35.48%	280,501,350	28.75%	428,001,350	45.62%	428,001,350	38.11%
Directors' Interests								
Xiao Yan (Note 3)	93,600	0.0118%	93,600	0.0096%	93,600	0.0100%	93,600	0.0083%
Wu Yanmin (Note 3)	17,550	0.0022%	17,550	0.0018%	17,550	0.0019%	17,550	0.0016%
Public Shareholders								
Placees	-	-	185,000,000	18.96%	-	-	185,000,000	16.47%
Other Shareholders	510,080,524	64.51%	510,080,524	52.28%	510,080,524	54.37%	510,080,524	45.41%
Total	790,693,024	100.00%	975,693,024	100.00%	938,193,024	100.00%	1,123,193,024	100.00%

Notes:

- Best Champion Holdings Limited is the controlling shareholder of the Company. Best Champion Holdings Limited is owned as to 33.50% by Subscriber I. The entire issued share capital of Subscriber I is wholly and beneficially owned by Subscriber II.

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2. China United Gene Investment Holdings Limited is a non-wholly owned subsidiary of Best Champion Holdings Limited, which is owned as to 33.50% by Subscriber I.
3. Ms. Xiao Yan and Ms. Wu Yanmin are the non-executive Directors.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

Date of announcement	Event	Net proceeds		Actual use of proceeds
		(approximately)	Intended use of proceeds	
25 June 2012	Rights issue on the basis of three rights shares for every ten existing shares ("2012 Rights Issue")	HK\$76.78 million	<ul style="list-style-type: none"> • Approximately HK\$40 million for the financing of and investing in businesses related to health care, pharmaceutical and biotechnology, including but not limited to, oral insulin; • Approximately HK\$30 million for the financing of and investing in businesses related to high technology, including but not limited to, high-tech material fibers; and • Approximately HK\$6.78 million for general working capital purposes of the Group 	Approximately HK\$60 million of the net proceeds from the 2012 Rights Issue are currently deposited at bank as time deposits and the remaining sum of approximately HK\$16.78 million are currently deposited at bank as current deposits

The intended use of proceeds of the 2012 Rights Issue is consistent with the prospectus of the Company dated 18 July 2012 and as at the Latest Practicable Date, the Company has no plan or intention on changing the said intended use of proceeds.

The net proceeds of the 2012 Rights Issue have not been utilised as the Company has not yet finalised the selection concerning the potential investment as indicated above, including but not limited to the Possible Acquisition. The said net proceeds are expected to be utilised when the said potential investments has been finalised, including but not limited to the Possible Acquisition.

LETTER FROM THE BOARD

Further, as indicated in the prospectus of the Company dated 29 April 2010 concerning the rights issue (the “2010 Rights Issue”), the net proceeds raised was approximately HK\$310 million. The Group intended to use the said net proceeds (i) as to approximately 90% for future business development including but not limited to investing in health care centers in Guangzhou, Beijing, Shanghai and other cities in the PRC and investing in the business of health care and pharmaceutical products such as oral insulin, etc; and (ii) as to approximately 10% for general working capital purposes of the Group.

Despite the Company has net cash inflows from its operating activities, capital injection and other cash inflows, the Company has adopted the basis for treatment of investment cash drawdown as the sums for acquisition transactions and capital investment of the Group were from the net proceeds as indicated in the 2010 Rights Issue. Accordingly, as at the Latest Practicable Date, approximately HK\$157 million from the said net proceeds was used in the businesses indicated in the 2010 Rights Issue as intended. Further, part of the idle cash of approximately HK\$93 million from the said net proceeds was temporarily invested in the available-for-sale financial assets, i.e. Hong Kong and overseas listed corporate bonds, in accordance with the treasury policy of the Company. The remaining balance of approximately HK\$60 million is currently deposited at bank as current deposits.

If there is any change in the said intended use of proceeds of the 2010 Rights Issue, the Company will make the relevant announcement in accordance with the Listing Rules.

INFORMATION OF SUBSCRIBER I

Subscriber I, a company incorporated in the BVI with limited liability, is principally engaged in investment holding.

As at the Latest Practicable Date, Subscriber I and together with its associates are beneficially interested in an aggregate of 280,501,350 Shares, representing approximately 35.48% of the total issued share capital of the Company.

INFORMATION OF SUBSCRIBER II

Subscriber II is the chief scientific adviser and honorary chairman of the Company.

As at the Latest Practicable Date, Subscriber II, the ultimate beneficial owner of Subscriber I, together with his associates, are beneficially interested in an aggregate of 280,501,350 Shares, representing approximately 35.48% of the total issued share capital of the Company.

SPECIFIC MANDATE

The Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds shall be allotted and issued under the Specific Mandate to be granted to the Directors by the Shareholders and the Independent Shareholders respectively at the SGM.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Subscriber I, together with its associates, were beneficially interested in an aggregate of 280,501,350 Shares, representing approximately 35.48% of the total issued share capital of the Company.

As at the Latest Practicable Date, Subscriber II, the ultimate beneficial owner of Subscriber I, together with his associates, were beneficially interested in an aggregate of 280,501,350 Shares, representing approximately 35.48% of the total issued share capital of the Company.

Therefore, the Subscribers are connected persons of the Company. As such, the Subscription Agreement and the transactions contemplated thereunder constitute a non-exempt connected transaction for the Company and are subject to reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Subscribers and their respective associates, therefore, are required to abstain from voting in respect of the relevant resolution(s) in relation to the Subscription Agreement and the transactions contemplated thereunder, including the grant of Specific Mandate for the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to Convertible Bonds B.

The Placing Agreement is inter-conditional with the Subscription Agreement, accordingly, the Subscribers and their respective associates are also required to abstain from voting in respect of the relevant resolution(s) in relation to the Placing Agreement and the transactions contemplated thereunder, including the grant of Specific Mandate for allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bond A.

Save and except for the above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder is required to abstain from voting in respect of the relevant resolution(s) in relation to the Placing Agreement, Subscription Agreement and the transactions contemplated thereunder, including the grant of Specific Mandate for allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds.

None of the Directors has a material interest in the Placing Agreement, the Subscription Agreement and the transactions contemplated thereunder, including the grant of Specific Mandate for allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds and is required to abstain, or has abstained, from voting on the relevant Board resolutions to approve the Placing Agreement, the Subscription Agreement and the transactions contemplated thereunder, including the grant of Specific Mandate for allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds.

LETTER FROM THE BOARD

SGM

The SGM will be convened and held to consider and, if thought fit, pass resolutions to approve, among other matters, (i) the Placing Agreement, the Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate for the allotment and issue of the Conversion Shares.

A notice convening the SGM to be held at Room Nos. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong on Thursday, 23 May 2013 at 4:00 p.m. is set out on pages 60 to 62 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon, and return the same to the branch share registrar and transfer agent of the Company in Hong Kong, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

The relevant resolutions to approve the Placing Agreement and the Subscription Agreement and the transactions contemplated thereunder at the SGM will be taken by poll and an announcement will be made by the Company after the SGM on the results of the SGM in accordance with the Listing Rules.

GENERAL

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders as to whether the Subscription Agreement entered into between the Company and the Subscribers and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to Convertible Bonds B under the Specific Mandate, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATIONS

Your attention is drawn to:

- (1) the letter from the Independent Board Committee (comprising Ms. Chen Weijun, Dr. Zhang Zhihong and Mr. Wang Rongliang, all being the independent non-executive Directors) set out on pages 32 to 33 of this circular which contains the recommendation of the Independent board Committee to the Independent Shareholders concerning whether the terms of the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares upon exercise of

LETTER FROM THE BOARD

the conversion rights attaching to Convertible Bonds B under the Specific Mandate, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole; and

- (2) the letter from Guangdong Securities set out on pages 34 to 54 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders on whether the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds B under the Specific Mandate, are on normal commercial terms, fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Board (including the independent non-executive Directors) holds the view that the entering into the Placing Agreement and the Subscription Agreement are on normal commercial terms, and the terms and conditions of the Placing Agreement, the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares under the Specific Mandate, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders and the Independent Shareholders to vote in favour of the relevant resolutions as set out in the notice of the SGM to approve the Placing Agreement, the Subscription Agreement and the transactions contemplated thereunder including the allotment and issue of the Conversion Shares under the Specific Mandate.

On behalf of the Board
United Gene High-Tech Group Limited
Lee Nga Yan
Executive Director



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)

26 April 2013

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING
PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

We refer to the circular of the Company to the Shareholders dated 26 April 2013 (the “**Circular**”), in which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider as to whether the Subscription Agreement, including the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to Convertible Bonds B under the Specific Mandate (the “**Proposed Transaction**”) entered into between the Company and the Subscribers and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Transaction.

We wish to draw your attention to the letter from the Board set out on pages 5 to 31 of the Circular which contains, among others, information on the Proposed Transaction as well as the letter from Guangdong Securities set out on pages 34 to 54 of the Circular which contains its advice in respect of the Proposed Transaction.

Having considered the principal factors and reasons and the advice of the Guangdong Securities, we consider that the Proposed Transaction is entered into on normal commercial terms, fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Proposed Transaction at the SGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Ms. Chen Weijun

Dr. Zhang Zhihong
Independent non-executive Directors

Mr. Wang Rongliang

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Subscription and the Specific Mandate for the purpose of inclusion in this circular.



Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

26 April 2013

*To: The independent board committee and the independent shareholders
of United Gene High-Tech Group Limited*

Dear Sirs,

CONNECTED TRANSACTION INVOLVING PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 26 April 2013 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced that on 18 February 2013 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to issue and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six Placees to subscribe for Convertible Bonds A of up to an aggregate principal amount of HK\$74,000,000.

On even date, the Company also entered into the Subscription Agreement with the Subscribers, pursuant to which the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for Convertible Bonds B with an aggregate principal amount of HK\$59,000,000, under which Subscriber I and Subscriber II have conditionally agreed to subscribe for Convertible Bonds B with principal amounts of HK\$45,000,000 and HK\$14,000,000 respectively.

The Conversion Bonds are convertible into Conversion Shares at the initial Conversion Price of HK\$0.40 per Conversion Share. The Conversion Shares will be issued by the Company under the Specific Mandate.

LETTER FROM GUANGDONG SECURITIES

Save as and except for the aggregate principal amount, the major terms (including but not limited to the maturity date, interest rate, conversion price, adjustments, conversion restrictions, etc.) of Convertible Bonds A and Convertible Bonds B are identical.

Given that the Subscribers are connected persons of the Company under the Listing Rules, the Subscription Agreement and the transactions contemplated thereunder constitute connected transactions for the Company under Chapter 14A of the Listing Rules, and will be subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Subscribers and their respective associates will be required to abstain from voting at the SGM in respect of the Subscription and the Specific Mandate.

The Placing Agreement is inter-conditional with the Subscription Agreement, accordingly, the Subscribers and their respective associates are also required to abstain from voting in respect of the relevant resolutions(s) in relation to the Placing Agreement and the transactions contemplated thereunder.

An Independent Board Committee comprising Ms. Chen Weijun, Dr. Zhang Zhihong and Mr. Wang Rongliang (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription and the Specific Mandate are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Subscription and the Specific Mandate at the SGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GUANGDONG SECURITIES

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscribers or their respective subsidiaries or associated companies, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly and fairly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription and the Specific Mandate, we have taken into consideration the following principal factors and reasons:

(1) Background of the Subscription and the Specific Mandate

Business overview of the Group

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

LETTER FROM GUANGDONG SECURITIES

Set out below are the financial information on the Group for the six months ended 31 December 2012 and the two financial years ended 30 June 2012 as extracted from the Company's interim report for the six months ended 31 December 2012 (the "2012 Interim Report") and its annual report for the financial year ended 30 June 2012 (the "2012 Annual Report"):

	For the six months ended 31 December 2012 (unaudited) HK\$'000	For the financial year ended 30 June 2012 (audited) HK\$'000	For the financial year ended 30 June 2011 (audited) HK\$'000	Increment from FY2011 to FY2012 %
Revenue	1,530	25,475	90,193	(71.76)
– Distribution of gene testing services	73	22,607	71,242	(68.27)
– Distribution of bio-industrial products	–	1,025	18,951	(94.59)
– Provision of health care management services	1,457	1,843	–	N/A
Profit/(Loss) for the period/year	(27,930)	(129,697)	5,606	N/A

	As at 31 December 2012 (unaudited) HK\$'000	As at 30 June 2012 (audited) HK\$'000	As at 30 June 2011 (audited) HK\$'000	Increment from 30 June 2011 to 30 June 2012 %
Total assets	419,795	355,998	467,251	(23.81)
Total liabilities	37,152	25,431	13,414	89.59
Gearing ratio (<i>times</i>)	0.09	0.07	0.03	133.33

As depicted by the above table, the Group recorded revenue of approximately HK\$25.48 million for the financial year ended 30 June 2012, representing a substantial decrease of approximately 71.76% as compared to the prior year. The Group also recorded a loss of approximately HK\$129.70 million as compared to a profit of approximately HK\$5.61 million for the financial year ended 30 June 2011. As advised by the Directors, the Group increased its sales channels and adjusted its operating strategy at the beginning of 2012 by gradually shifting its focus of sales effort from the general public to professional channels, mainly hospitals and health centres. As such, the substantial decrease in revenue for the distribution of gene testing services segment during the financial year ended 30 June 2012 was mainly due to the transitional period brought by the new sales and marketing strategy and the detrimental impact on turnover from the continuing economic downturn. In addition, the Group also continued to record significant decline in revenue for its distribution of bio-industrial products segment due to global economic downturn and keen competition in the industry.

LETTER FROM GUANGDONG SECURITIES

Financing alternatives available to the Group

As referred to in the Board Letter, save for the 2012 Rights Issue as announced by the Company on 25 June 2012 which raised net proceeds of approximately HK\$76.78 million, the Company had not conducted any fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

Upon our enquiry with the Directors in this respect, we understand that apart from the Placing and the Subscription, the Directors have also considered other fund raising alternatives for the Group, namely, bank borrowings, rights issue or open offer. In relation to bank borrowings, the Directors advised us that it is difficult for the Company to obtain favourable terms on bank borrowings due to recent temporarily unsatisfactory business and financial performances. Moreover, in light of the Group's current loss making condition, it was considered not plausible for the Group to apply/arrange for bank loans, with relatively low annual interest rate as compared to the Convertible Bonds. In addition, even if additional bank loans were made available, it was considered that the financial position of the Group would have been affected by the additional finance charges incurred.

As for equity financing, the Directors advised us that in view of the current loss making condition of the Group, it is uncertain as to whether the Company would be able to procure underwriter(s) in open offer or rights issue, not to mention if the procurement could be timely achieved at a low cost. In addition, taking into account the relatively low annual interest rate of the Convertible Bonds and that the Placing and the Subscription are relatively simple and less time consuming, the Directors consider that the Placing and the Subscription is the most appropriate fund raising method currently available to the Group.

Reasons for the Subscription and use of proceeds

With reference to the Board Letter and the 2012 Interim Report, it is the Group's strategy to, among others things, (i) adjust its operation strategy by shifting its focus of sales efforts from the general public to the professional channels; (ii) explore other opportunities for further growth in the bio-industrial products business; and (iii) explore for attractive investments in the PRC and globally with the aim of (a) developing the businesses of the Group and other new businesses, and (b) generating positive cash flow and earnings for the Group in the long-term. We also noted from the 2012 Interim Report that the restricted bank balances and bank and cash balances of the Group (the "**Financial Resources**") were approximately HK\$223,000 and HK\$231.76 million respectively as at 31 December 2012. According to the Board Letter, the Financial Resources are preliminarily and initially expected to be allocated (i) as to approximately 22% for the general working capital of the existing business segments, i.e. distribution of gene testing services, distribution of bio-industrial products and provision of health care management services, of the Group (the "**Existing Businesses**"); (ii) as to approximately 58% for the financing of and investing in business relating to health care, pharmaceutical and biotechnology, including but not limited to oral insulin (the "**Potential Business**"); and (iii) as to approximately 20% contingent cash reserve of the Group.

LETTER FROM GUANGDONG SECURITIES

The Company also announced on 15 April 2013 that the Company has commenced negotiation with Subscriber II on a possible acquisition by the Group of the investments of Subscriber II in oral insulin related business, including but not limited to the securities of Extrawell Pharmaceutical Holdings Limited (stock code: 858) (the “Possible Acquisition”).

Although the net proceeds of the 2012 Rights Issue have not been utilised, the Company has been in the process of considering and assessing a number of investment opportunities for the Potential Business. The Company shall resort to all types of investment channels, including but not limited to, making either direct investment in the Potential Business’ related projects or indirect investment, through acquisition of listed and/or unlisted securities, in companies with principal business relating to the Potential Business. Up to the Latest Practicable Date, the Company had not entered into any written agreement, memorandum of understanding, letter of understanding or intention concerning the Potential Business and/or the Possible Acquisition. Nevertheless, we concur with the Directors that there may be imminent funding needs when the Company selected and finalised any Potential Business and/or the Possible Acquisition.

With reference to be Board Letter, the Board holds the view that there is a need to conduct fund raising activities in light of the high uncertainties and volatilities in global financial market and the benefit of maintaining high financial flexibility to make timely and prompt response to any potential new investments, including but not limited to the Potential Business, in order to increase the value of the Shareholders.

The gross proceeds and net proceeds (after deducting the relevant expenses of approximately HK\$200,000) from the Subscription will be approximately HK\$59,000,000 and HK\$58,800,000 respectively. The Company intends to apply all the net proceeds from the Subscription for the financing of potential investments, including but not limited to the Potential Business (details of which are disclosed in the Board Letter) as and when appropriate.

As extracted from the Board Letter, in the event that no potential investments are finalised, the Company may deposit the net proceeds from the Placing and the Subscription at bank or to purchase liquid and secured financial securities.

Having considered (i) the Placing and the Subscription being the most appropriate fund raising method currently available to the Group due to the reasons as set forth under the sub-section headed “Financing alternatives available to the Group” above; and (ii) that the proposed use of the net proceeds from the Placing and the Subscription would facilitate the execution of the Group’s business strategy as aforementioned, we consider that the Subscription is in the interests of the Company and the Shareholders as a whole.

(2) The Subscription Agreement

On 18 February 2013 (after trading hours) that the Company entered into the Subscription Agreement with the Subscribers, pursuant to which the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for Convertible Bonds B with an aggregate principal amount of HK\$59,000,000, under which Subscriber I and Subscriber II have conditionally agreed to subscribe for Convertible Bonds B with the principal amounts of HK\$45,000,000 and HK\$14,000,000 respectively.

The Placing Agreement is inter-conditional with the Subscription Agreement. As advised by the Directors, the Placing and the Subscription are treated as one fund raising exercise. Accordingly, it is reasonable for the Placing Agreement and the Subscription Agreement to be inter-conditional.

The Conversion Price

As stated in the Board Letter, the Conversion Price of HK\$0.40 per Conversion Share was arrived at after arm's length negotiations among the Company and the Subscribers with reference to the Group's existing financial position and current market conditions.

The Conversion Price represents:

- (a) a discount of approximately 8.05% to the closing price of HK\$0.435 per Share as at the Latest Practicable Date;
- (b) a discount of approximately 9.09% to the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on the date of signing of the Subscription Agreement;
- (c) a discount of approximately 6.10% to the average closing price of HK\$0.426 per Share for the last five consecutive trading days immediately prior to the date of signing of the Subscription Agreement;
- (d) a discount of approximately 3.61% to the average closing price of HK\$0.415 per Share for the last ten consecutive trading days immediately prior to the date of signing of the Subscription Agreement; and
- (e) a discount of approximately 17.36% to the net asset price of approximately HK\$0.484 per Share as at 31 December 2012.

LETTER FROM GUANGDONG SECURITIES

To assess the fairness and reasonableness of the Conversion Price, we set out the following informative analyses which include reviews on both the historical price and trading liquidity of the Shares together with a comparison with other recent placing and subscription exercises carried out by listed companies in Hong Kong:

(i) Review on historical price of the Shares

The following table sets out the highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 1 February 2012 up to and including the date of signing of the Subscription Agreement (the “**Review Period**”):

Month	Highest closing price HK\$	Lowest closing price HK\$	Average daily closing price HK\$	No. of trading days in each month
2012				
February	1.460	1.120	1.318	21
March	1.420	1.200	1.305	22
April (<i>Note 1</i>)	1.280	0.780	1.066	18
May	0.800	0.640	0.695	22
June	0.680	0.540	0.630	21
July	0.600	0.520	0.572	21
August	0.880	0.540	0.623	23
September	0.840	0.580	0.741	20
October	0.860	0.640	0.729	20
November	0.720	0.500	0.594	22
December	0.620	0.420	0.513	19
2013				
January (<i>Note 2</i>)	0.500	0.400	0.430	22
February (up to and including the date of signing of the Subscription Agreement)	0.440	0.380	0.418	9

Source: the Stock Exchange web-site (www.hkex.com.hk)

Notes:

1. Trading in the Shares was suspended in the afternoon session of 23 April 2012.
2. Share prices on or before 18 January 2013 has been adjusted for the effect of the share consolidation of the Company which was approved by the Shareholders on the same said date.

During the Review Period, the closing prices of the Shares ranged from the lowest of HK\$0.38 per Share on 5 February 2013 to the highest of HK\$1.46 per Share on 9 February 2012. The Conversion Price is thus within the said historical price range of the Shares. Furthermore, after reaching the peak level of HK\$1.46 per Share during the Review Period, the closing prices of the Shares demonstrated a general considerable sliding trend and closed at HK\$0.44 per Share on the date of signing of the Subscription Agreement.

LETTER FROM GUANGDONG SECURITIES

(ii) Review on trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") <i>Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date <i>%</i> <i>(Note 1)</i>	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date <i>%</i> <i>(Note 2)</i>
2012				
February	21	581,625	0.11	0.07
March	22	160,613	0.03	0.02
April <i>(Note 3)</i>	18	939,444	0.18	0.12
May	22	1,007,074	0.20	0.13
June	21	2,190,891	0.43	0.28
July	21	2,386,700	0.47	0.30
August	23	2,152,752	0.42	0.27
September	20	918,318	0.18	0.12
October	20	1,344,382	0.26	0.17
November	22	2,033,370	0.40	0.26
December	19	2,194,655	0.43	0.28
2013				
January <i>(Note 4)</i>	22	2,184,855	0.43	0.28
February (up to and including the date of signing of the Subscription Agreement)	9	634,243	0.12	0.08

Source: the Stock Exchange web-site (www.hkex.com.hk)

Notes:

1. Based on 510,080,524 Shares held in public hands as at the Latest Practicable Date.
2. Based on 790,693,024 Shares in issue as at the Latest Practicable Date.
3. Trading in the Shares was suspended in the afternoon session of 23 April 2012.
4. Share trading volume on or before 18 January 2013 has been adjusted for the effect of the share consolidation of the Company which was approved by the Shareholders on the same said date.

LETTER FROM GUANGDONG SECURITIES

From the above table, we noted that trading in the Shares had been inactive during the Review Period and the Shares' monthly average daily trading volume had been below 0.5% of the total number of issued Shares held by the public as at the Latest Practicable Date for the entire Review Period.

(iii) Comparison with other placing or subscription exercises

To further evaluate the fairness and reasonableness of the Conversion Price, we have identified, to the best of our knowledge and as far as we are aware of, 27 transactions of companies listed on the Stock Exchange which involved placing or subscription of convertible bonds/notes from 1 October 2012 up to the date of signing of the Subscription Agreement (being the approximate five-month period from the date of signing of the Subscription Agreement, to demonstrate the relevant market practice) (the "Comparables"). Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables. However, for the purpose of providing a general reference for the common market practice in placing or subscription of convertible bonds/notes by listed companies in Hong Kong, we consider the Comparables to be exhaustive and fair and representative samples. The table below summarises our relevant findings:

Date of announcement	Company name	Stock code	Principal activities	Annual interest		Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to announcement/the date of agreement in relation to the respective issue of convertible notes/bonds %	Mandate for the issue	Connected Transaction	Market Capitalisation as at the date of the Subscription Agreement HK\$ million
				Term Years	rate %				
4 October 2012	Pearl River Tyre (Holdings) Limited	1187	Manufacturing and marketing of bias tyres for commercial vehicles	3	3.00	(5.21)	Specific mandate	No	336.48
12 October 2012	Dingyi Group Investment Limited	508	Food and beverages including restaurant and bar business	5	2.00	6.28	Specific mandate	No	605.65

LETTER FROM GUANGDONG SECURITIES

Date of announcement	Company name	Stock code	Principal activities	Annual interest		Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to announcement/the date of agreement in relation to the respective issue of convertible notes/bonds	Mandate for the issue	Connected Transaction	Market Capitalisation as at the date of the Subscription Agreement HK\$ million
				Term Years	rate %				
15 October 2012	LifeTech Scientific Corporation (Note 1)	8122	Develop, manufacture and market of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders	5	1.00	(23.69)	Specific mandate	Yes	3,300.00
15 October 2012	LifeTech Scientific Corporation (Note 1)	8122	Develop, manufacture and market of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders	5	1.00	20.48	Specific mandate	Yes	3,300.00
17 October 2012	Dingyi Group Investment Limited	508	Food and beverages including restaurant and bar business	5	2.00	(6.40)	Specific mandate	No	605.65
17 October 2012	FAVA International Holdings Limited	8108	Manufacturing and sales of household products; provision of funeral services and sale of funeral related products	7	Nil	20.18	Specific mandate	No	101.98

LETTER FROM GUANGDONG SECURITIES

Date of announcement	Company name	Stock code	Principal activities	Annual interest		Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to announcement/the date of agreement in relation to the respective issue of convertible notes/bonds	Mandate for the issue	Connected Transaction	Market Capitalisation as at the date of the Subscription Agreement <i>HK\$ million</i>
				Term <i>Years</i>	rate <i>%</i>				
2 November 2012	Brockman Mining Limited	159	Exploration and development of iron ore mining projects in Western Australia; exploitation, processing and production of copper, zinc, lead ore concentrates in the PRC; provision of limousine rental and airport shuttle services	3	5.00	3.80	Specific mandate	Yes	3,855.46
2 November 2012	China Renewable Energy Investment Limited	987	Alternative energy and software development	3	6.40	194.00	Specific mandate	Yes	501.91
16 November 2012	Polyard Petroleum International Group Limited	8011	Exploration, exploitation and development of oil, natural gas and coal, and trading of petroleum-related products	1	3.00	6.67	General mandate	No	341.60
16 November 2012	Prosperity International Holdings (H.K.) Limited	803	Trading of clinker, cement and other building materials; investment of granite material production; trading of iron ore; investment of public port and other related facilities business and real estate development	3 <i>(Note 2)</i>	8.25	13.92	General mandate	No	2,078.36

LETTER FROM GUANGDONG SECURITIES

Date of announcement	Company name	Stock code	Principal activities	Annual interest		Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to announcement/the date of agreement in relation to the respective issue of convertible notes/bonds	Mandate for the issue	Connected Transaction	Market Capitalisation as at the date of the Subscription Agreement HK\$ million
				Term Years	rate %				
20 November 2012	China Financial International Investments Limited	721	Investment of listed and unlisted companies established and/or doing business in Hong Kong and the PRC	3	7.00	20.48	General mandate	No	1,979.58
28 November 2012	Mongolia Energy Corporation Limited	276	Energy and metal resources exploration, coal operations and other related operations	3	5.00	14.30	Specific mandate	Yes	2,837.75
29 November 2012	Stelux Holdings International Limited	84	Retail and trading of watch and optical, and property investment	5	Varies (Note 3)	(1.50)	General mandate	No	3,223.14
3 December 2012	China Oriental Culture Group Limited	2371	Provision of advertising media and other media services, sales of third party software and hardware and securities trading	2	10.00	(17.35)	General mandate	No	596.47
12 December 2012	Wealth Glory Holdings Limited	8269	Supply and sale of dried noodles including bowl noodles and packed noodles and manufacture and sale of fresh noodles, including but not limited to hefen, wonton noodles and yi mein	2	Nil	5.26	Specific mandate	No	211.84

LETTER FROM GUANGDONG SECURITIES

Date of announcement	Company name	Stock code	Principal activities	Term Years	Annual interest rate %	Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to announcement/the date of agreement in relation to the respective issue of convertible notes/bonds	Mandate for the issue	Connected Transaction	Market Capitalisation as at the date of the
						%			Subscription Agreement HK\$ million
18 December 2012	North Asia Resources Holdings Limited	61	Distribution of information technology products, and geological survey, exploration and development of iron, gold and other mineral deposits (mining operation) and trading of iron ore and alluvial gold	3	8.00	Nil	Specific mandate	No	406.24
31 December 2012	Shunfeng Photovoltaic International Limited	1165	Manufacturing and sales of solar cells, solar modules and related products	20	Nil	(40.56)	Specific mandate	Yes	2,012.40
15 January 2013	China Flooring Holding Company Limited	2083	Manufacture and sale of flooring products, trademark and distribution newtwork usage fees, trading of timber and flooring products	Due 2019	Varies (Note 4)	76.65	General mandate	No	2,400.55
16 January 2013	Shanghai Industrial Holdings Limited	363	Infrastructure facilities, real estate and consumer products	Due 2018	Nil	30.00	General mandate	No	28,913.08
18 January 2013	China Properties Investment Holdings Limited	736	Properties investment and investing in mining activities	7	3.00	Undetermined (Note 5)	Specific mandate	No	55.68

LETTER FROM GUANGDONG SECURITIES

Date of announcement	Company name	Stock code	Principal activities	Term Years	Annual interest rate %	Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to announcement/the date of agreement in relation to the respective issue of convertible notes/bonds %	Mandate for the issue	Connected Transaction	Market Capitalisation
									as at the date of the Subscription Agreement HK\$ million
25 January 2013	Huili Resources (Group) Limited	1303	Mining and ore processing of nickel and copper in Hami, Xinjiang	2	2.00	(15.40)	General mandate	No	2,150.00
28 January 2013	China Precious Metal Resources Holdings Co., Ltd.	1194	Mining and processing of gold mines and sale of gold products	Due 2018	7.25	25.00	General mandate	No	5,960.50
30 January 2013	ENN Energy Holdings Limited	2688	Investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped and bottled gas in the PRC	Due 2018	Nil	30.00	General mandate	No	41,148.66
1 February 2013	Chinese Food and Beverage Group Limited	8272	Local catering business, brand management and is acting as a sourcing agent for reputable buyers in a variety of products	Due 2016	Nil	(18.18)	General mandate	No	86.47

LETTER FROM GUANGDONG SECURITIES

Date of announcement	Company name	Stock code	Principal activities	Annual interest		Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to announcement/the date of agreement in relation to the respective issue of convertible notes/bonds	Mandate for the issue	Connected Transaction	Market Capitalisation as at the date of the Subscription Agreement HK\$ million
				Term Years	rate %				
1 February 2013	Prosperity International Holdings (H.K.) Limited	803	Trading of clinker, cement and other building materials; investment of granite material production; trading of iron ore; investment of public port and other related facilities business and real estate development	3 (Note 6)	8.25	40.60	General mandate	No	2,078.36
1 February 2013	Tak Sing Alliance Holdings Limited	126	Property investment and development, the operations of hotel, restaurant and food businesses	1	5.00	6.48	General mandate	No	1,542.91
6 February 2013	China Fortune Financial Group Limited	290	Securities, futures and insurance brokerage, margin financing, provision of corporate finance services and money lending services	3	5.00	(8.26)	General mandate	No	322.94
Minimum						Nil			(40.56)
Maximum						10.00			194.00
Average						3.69			14.52
Median						3.00			6.38
18 February 2013	The Company	399		10	0.1	(9.09)			

Source: the Stock Exchange web-site (www.hkex.com.hk)

LETTER FROM GUANGDONG SECURITIES

Notes:

1. The company announced the subscription of the first tranche convertible notes and second tranche convertible notes with different conversion price on the same day.
2. The maturity day can, subject to the prior mutual written agreement by the company and the subscriber for further extension, be extended to four calendar years after the issue date.
3. The interest rate will be 3.5% per annum with respect to the bonds registered under the name of the investor or any of its affiliates and 2.75% per annum with respect to the bonds registered under the name of any other bondholders.
4. The interest rate is the sum of (i) before 15 June 2016, 1% per annum, and thereafter, 5% per annum; and (ii) LIBOR for six months on the interest determination date for the relevant interest period.
5. The conversion price will be the higher of (i) 80% of the average closing price per Share as quoted on the Stock Exchange for the last five full trading days of the shares immediately before the date of conversion; and (ii) HK\$0.03 per conversion share.
6. The maturity day can, subject to the prior mutual written agreement by the company and the holder or holders holding a majority of the then outstanding aggregate amount of the convertible notes, be extended to the fourth anniversary of the issue date.

As shown by the above table, the conversion prices of the Comparables ranged from a discount of approximately 40.56% to a premium of approximately 194.00% to/over the respective closing prices of their shares on the last trading day prior to the release of the relevant issue of convertible bonds/notes announcement/the date of agreement in relation to the respective issue of convertible bonds/notes. The Conversion Price, which represents discount of approximately 9.09% to the closing prices of the Shares on the date of signing of the Subscription Agreement, falls within the said market range of the Comparables.

Having taken into account (i) that the Conversion Price is within the historical price range of the Shares during the Review Period; (ii) that the Shares had been highly illiquid during the Review Period; and (iii) the results of the above market comparable analysis, we consider that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

Since the net asset value per Share does not reflect the market value of the Share, we have not carried out further analysis on the comparison between the Conversion Price and the net asset value per Share.

LETTER FROM GUANGDONG SECURITIES

Adjustment to the Conversion Price and early redemption

Under the terms of the Subscription Agreement, the Conversion Price is subject to adjustment upon occurrence of certain prescribed events (the “**Adjustments**”), among other things, consolidation or subdivision of shares, capitalisation of profits, capital distribution, issue of Shares by way of rights, options and warrants, issue of convertible securities, and issues at more than 20% discount to the market price of such shares.

In addition, the Company shall be entitled at its sole discretion, by giving not less than 14 Business Days notice to the holders of Convertible Bonds B, to redeem all or part of the outstanding Convertible Bonds B at the amount equal to 100% of the principal amount of the said outstanding Convertible Bonds B at any time from the date of issue of Convertible Bonds B together with interest accrued to the date fixed for redemption. The Company also possesses the final redemption rights to redeem Convertible Bonds B at 100% of the principal amount of Convertible Bonds B together with interest accrued to the date fixed for redemption, within seven Business Days after the holder of Convertible Bonds B has duly delivered a conversion notice to the Company (the “**Early Redemption**”).

With respect to the Adjustments and the Early Redemption, we have studied the terms of the Comparables (based on the respective announcements published on the Stock Exchange’s web-site at <http://www.hkex.com.hk>) and we noted that similar conversion price adjustment mechanism and early redemption clauses in various forms are often included in the terms of those convertible bonds/notes. In light of that (i) the Adjustments and the Early Redemption are rather usual under normal market practice; and (ii) the Early Redemption will provide flexibility for the Company to redeem Convertible Bonds B prior to the maturity date, we consider that the Adjustments and the Early Redemption are fair and reasonable so far as the Independent Shareholders are concerned.

Interest rate of Convertible Bonds B

Convertible Bonds B shall bear interest at the rate of 0.1% per annum payable on annual basis. As presented by the above table, the Comparables carried an annual interest rate of nil to 10%. Convertible Bonds B, which bear interest at the rate of 0.1% per annum, hence is within the said market range of the Comparables.

As advised by the Directors, the Group had certain borrowings as at the Latest Practicable Date with carried interest ranged from 6.1% to 6.65% per annum. Based on our research, we noticed that currently, The Hongkong and Shanghai Banking Corporation Limited’s current HK\$ best lending rate is 5% (the “**Best Lending Rate**”). As such, the interest rate of Convertible Bonds B of 0.1% per annum is far below each of the aforesaid rates.

LETTER FROM GUANGDONG SECURITIES

Given that the interest rate of Convertible Bonds B is (i) within the market range of the Comparables; and (ii) far below the interest rate carried by the Group's certain borrowings as stated above and the Best Lending Rate, we are of the view that the interest rate of Convertible Bonds B is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered and analysed the aforesaid terms of the Subscription Agreement and that save as and except for the aggregate principal amount, the major terms (including but not limited to the maturity date, interest rate, conversion price, adjustments, conversion restrictions, etc.) of Convertible Bonds A and Convertible Bonds B are identical, we are of the view that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(3) Dilution effect on the shareholding interests of the existing public Shareholders

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion of the Subscription but before Completion of the Placing and assuming exercise in full of the conversion rights attaching to Convertible Bonds B at the initial Conversion Price; and (iii) immediately after Completion of the Placing and Completion of the Subscription and assuming exercise in full of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price:

	As at the Latest Practicable Date		Immediately after Completion of the Subscription but before Completion of the Placing and assuming exercise in full of the conversion rights attaching to Convertible Bonds B at the initial Conversion Price		Immediately after Completion of the Placing and Completion of the Subscription and assuming exercise in full of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Best Champion Holdings Limited (Note 1)	61,650,000	7.80	61,650,000	6.57	61,650,000	5.49
China United Gene Investment Holdings Limited (Note 2)	190,851,350	24.14	190,851,350	20.34	190,851,350	16.99
Xiao Yan (Note 3)	93,600	0.01	93,600	0.01	93,600	0.01
Wu Yanmin (Note 3)	17,550	0.00	17,550	0.00	17,550	0.00
Subscriber I	28,000,000	3.54	140,500,000	14.98	140,500,000	12.51
Subscriber II	-	-	35,000,000	3.73	35,000,000	3.12
Public Shareholders						
Placees	-	-	-	-	185,000,000	16.47
Other Shareholders	510,080,524	64.51	510,080,524	54.37	510,080,524	45.41
Total	790,693,024	100.00	938,193,024	100.00	1,123,193,024	100.00

LETTER FROM GUANGDONG SECURITIES

Notes:

1. Best Champion Holdings Limited is the controlling shareholder of the Company (as defined in the Listing Rules). Best Champion Holdings Limited is owned as to approximately 33.50% by Subscriber I. The entire issued share capital of Subscriber I is wholly and beneficially owned by Subscriber II.
2. China United Gene Investment Holdings Limited is a non-wholly owned subsidiary of Best Champion Holdings Limited, which is owned as to approximately 33.50% by Subscriber I.
3. Ms. Xiao Yan and Ms. Wu Yanmin are the non-executive Directors.

As depicted by the table above, the shareholding interests of the existing public Shareholders in the Company would be reduced by (i) approximately 10.14 percent point immediately after Completion of the Subscription but before Completion of the Placing and assuming exercise in full of the conversion rights attaching to Convertible Bonds B at the initial Conversion Price; and (ii) approximately 19.10 percent point immediately after Completion of the Placing and Completion of the Subscription and assuming exercise in full of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price. Taking into account (i) the reasons for and possible benefits of the Subscription; and (ii) the terms of the Subscription Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the aforementioned levels of dilution to the shareholding interests of the existing public Shareholders are acceptable.

(4) Financial effects of the Subscription

Effects on net asset value

As extracted from the 2012 Interim Report, the unaudited consolidated net asset value was approximately HK\$382.64 million as at 31 December 2012. As advised by the Directors, although the net proceeds deriving from the Subscription would increase the Group's cash and cash equivalents before the Group utilises the said proceeds for its future investments or business opportunities, given that the fair value of the Convertible Bonds and the related redemption options depends on certain instant market conditions, and which when being actually booked into the financial statements of the Group will consist of an equity portion and a liability portion subject to assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards, the Company is unable to assess the impacts of the Subscription on the Group's net asset value until reliable estimations of the value of Convertible Bonds B can be made.

Effect on gearing

The gearing level of the Group (calculated as total liabilities divided by total assets) was approximately 0.09 times as at 31 December 2012. Since as aforementioned, the relevant accounting entries for the issue of Convertible Bonds B cannot be determined and as a result, its impacts on the gearing level of the Group could not be estimated at this early stage.

LETTER FROM GUANGDONG SECURITIES

Effect on liquidity

The Directors confirmed that the net proceeds from the Subscription would increase the Group's cash and cash equivalents before the Group utilises the said proceeds for its potential new investments.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion of the Subscription.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription is not in the ordinary and usual course of business of the Company but is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Subscription and the Specific Mandate and we recommend the Independent Shareholders to vote in favour of the resolutions(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Long positions in the issued share capital of the Company

Name of Director	Capacity	Number of Shares/underlying Shares held	Percentage of the issued Share capital of the Company
Ms. Wu Yanmin	Beneficial owner	17,550	0.0022%
Ms. Xiao Yan	Beneficial owner	93,600	0.0118%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor their associates had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

GENERAL INFORMATION

(b) Disclosure of substantial shareholders' interests

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Capacity	Number of Shares/underlying Shares held	Approximate percentage of the issued share capital of the Company
Dr. Mao Yumin ("Subscriber II") (Note 1)	Interest of a controlled corporation	280,501,350	35.48%
United Gene Holdings Limited ("Subscriber I") (Note 1)	Beneficial owner Interest of a controlled corporation	28,000,000 252,501,350	3.54% 31.94%
Dr. Xie Yi ("Dr. Xie") (Note 2)	Interest of a controlled corporation	252,501,350	31.94%
Ease Gold Investment Limited (Note 2)	Interest of a controlled corporation	252,501,350	31.94%
Good Links Limited (Note 3)	Interest of a controlled corporation	252,501,350	31.94%
Victory Trend Limited (Note 3)	Interest of a controlled corporation	252,501,350	31.94%
Best Champion Holdings Limited (Note 4)	Beneficial owner	61,650,000	7.80%
	Interest of a controlled corporation	190,851,350	24.14%
China United Gene Investment Holdings Limited	Beneficial owner	190,851,350	24.14%

GENERAL INFORMATION

Notes:

1. United Gene Holdings Limited, as Subscriber I and is wholly-owned by Subscriber II, which owns 33.50% equity interests of Best Champion Holdings Limited.
2. Ease Gold Investment Limited, is wholly-owned by Dr. Xie, which owns 33.50% equity interests of Best Champion Holdings Limited.
3. Victory Trend Limited, is owned as to 50% by Subscriber II and as to 50% by Dr. Xie, which wholly owns Good Links Limited. Good Links Limited owns 33.00% equity interests of Best Champion Holdings Limited.
4. The equity interest of Best Champion Holdings Limited is owned as to 33.50%, 33.50% and 33.00% by United Gene Holdings Limited, Ease Gold Investment Limited and Good Links Limited, respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

3. DIRECTORS' SERVICE CONTRACTS

The executive Director, Ms. Lee Nga Yan ("**Ms. Lee**") entered into a service agreement with the Company, which will continue until being terminated by either party by giving not less than two months' prior notice in writing to the other party. Subject to the review by the remuneration committee of the Company from time to time, Ms. Lee will be entitled to a director's remuneration (including a director's fee) of HK\$40,000 per month and a discretionary year end payment, which is to be determined by the Board with reference to her duties and responsibilities in the Group and market benchmarks.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation).

4. INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors have, or had, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group since 30 June 2012, the date to which the latest published audited financial statements of the Company were made up. None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

GENERAL INFORMATION

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective associates had an interest in any business that competes with or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses which the Directors were appointed as directors to represent the interests of the Group.

6. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has provided its opinion or advice for inclusion in this circular:

Name	Qualification
Guangdong Securities Limited	a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Guangdong Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name or opinion in the form and context in which it is included.

As at the Latest Practicable Date, Guangdong Securities did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Guangdong Securities did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by, or leased to any member of the Group since 30 June 2012, the date of which the latest published audited consolidated financial statements of the Group were made up.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2012, the date to which the latest published audited financial statements of the Company were made up, save and except as indicated in the Interim Report for the six months ended 31 December 2012, as published on 20 March 2013.

GENERAL INFORMATION

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Rooms No. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong on any Business Day from the date of this circular up to and including the date of the SGM:

- (a) the Placing Agreement;
- (b) the supplemental agreement dated 19 April 2013 to the Placing Agreement;
- (c) the Subscription Agreement;
- (d) the supplemental agreement dated 19 April 2013 to the Subscription Agreement;
- (e) the written consent from Guangdong Securities Limited as referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 in this circular;
- (g) the letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 34 to 54 in this circular;
- (h) the service contract referred to in the section headed "Directors' Service Contracts" in this appendix; and
- (i) this circular.

9. GENERAL

The English texts of this circular shall prevail over their Chinese text in case of inconsistencies.



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)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “**Meeting**”) of United Gene High-Tech Group Limited (the “**Company**”) will be convened and held at Room Nos. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong on Thursday, 23 May 2013 at 4:00 p.m. for the purpose of considering and, if thought fit, passing (with or without modification) the following resolutions:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the placing agreement dated 18 February 2013 and the supplemental agreement dated 19 April 2013 (collectively, the “**Placing Agreement**”) (a copy of which has been produced to the Meeting marked “**A**” and “**B**” respectively and initialed by the chairman of the Meeting for the purpose of identification) entered into between the Company, as the issuer, and Grand Vinco Capital Limited (the “**Placing Agent**”), as the placing agent, in relation to the placing of the convertible bond (the “**Convertible Bonds A**”) up to an aggregate principal amount of HK\$74,000,000 due on the 10th anniversary of the date of issue, with the conversion right to convert at the conversion price of HK\$0.40 (subject to adjustments and to the terms and conditions set out in the bond instrument concerning Convertible Bonds A (a copy of which has been produced to the Meeting marked “**C**” initialed by the chairman of the Meeting for the purpose of identification)) per conversion share (the “**Conversion Shares A**”), and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the directors (the “**Directors**”) of the Company (or a duly authorised committee thereof) be and they are hereby generally and specifically authorised to allot and issue such number of Conversion Shares A (the “**Specific Mandate A**”) as may be required to cover the Conversion Shares A that may fall to be allotted and issued upon exercise of the conversion rights attaching to Convertible Bonds A. The Specific Mandate A is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company (the “**Shareholders**”) prior to the passing of this resolution; and

NOTICE OF THE SGM

- (c) the Directors (or a duly authorised committee thereof) be and they are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents or agreements and to take all such steps which, in the opinion of the Directors (or a duly authorised committee thereof), may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Placing Agreement and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors (or a duly authorised committee thereof), in the interests of the Company.”

2. **“THAT:**

- (a) the subscription agreement dated 18 February 2013 and the supplemental agreement dated 19 April 2013 (collectively, the **“Subscription Agreement”**) (a copy of which has been produced to the Meeting marked **“D”** and **“E”** respectively and initialed by the chairman of the Meeting for the purpose of identification) entered into between the Company, United Gene Holdings Limited (the **“Subscriber I”**) and Dr. Mao Yumin (the **“Subscriber II”**, together with Subscriber I, the **“Subscribers”**), in relation to the subscription for the convertible bond (the **“Convertible Bonds B”**), in an aggregate principal amount of HK\$59,000,000 due on the 10th anniversary of the date of issue, with the conversion rights to convert at the conversion price of HK\$0.40 (subject to adjustments and to the terms and conditions set out in the bond instrument concerning Convertible Bonds B (a copy of which has been produced to the Meeting marked **“F”** initialed by the chairman of the Meeting for the purpose of identification)) per conversion share (the **“Conversion Share B”**) and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the Directors (or a duly authorised committee thereof) be and they are hereby generally and specifically authorised to allot and issue such number of Conversion Shares B (the **“Specific Mandate B”**) as may be required to cover the Conversion Shares B that may fall to be allotted and issued upon exercise of the conversion rights attaching to Convertible Bonds B. The Specific Mandate B is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and

NOTICE OF THE SGM

- (c) the Directors (or a duly authorised committee thereof) be and they are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents or agreements and to take all such steps which, in the opinion of the Directors (or a duly authorised committee thereof), may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Subscription Agreement and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors (or a duly authorised committee thereof), in the interests of the Company.”

On behalf of the Board
United Gene High-Tech Group Limited
Lee Nga Yan
Executive Director

Hong Kong, 26 April 2013

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal Place of Business
in Hong Kong:*
Room Nos. 1405-1406
Harbour Centre
No.25 Harbour Road
Wanchai
Hong Kong

Notes:

- (1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or (if holding two or more shares) more proxies to attend and vote in his stead. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
- (2) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or other authority must be deposited with the branch share registrar and transfer agent of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- (3) When there are joint holders of any Shares, any one of such persons may vote at the meeting either personally or by proxy in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the Meeting jointly or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such Share.
- (4) Completion and return of the form of proxy will not preclude members from attending and voting at the Meeting and in such event, the form of proxy shall be deemed to be revoked.