
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **United Gene High-Tech Group Limited** (聯合基因科技集團有限公司), you should at once hand the Prospectus Documents to the purchaser or 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 transferee.

Capitalised terms used in this Prospectus shall have the same meanings as those defined in the section headed "Definitions" in this Prospectus.

A copy of this Prospectus, together with the copies of the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" on page IV-10 of this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance in Hong Kong. The Registrar of Companies in Hong Kong and the SFC take no responsibility as to the contents of any of these documents.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.



UNITED GENE HIGH-TECH GROUP LIMITED

聯合基因科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 399)

RIGHTS ISSUE IN THE PROPORTION OF ONE RIGHTS SHARE FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE

Financial adviser to the Company

VINCO  域高

Grand Vinco Capital Limited

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

The latest time for acceptance of and payment for the Rights Shares is at 4:00 p.m. on Thursday, 13 May 2010. The procedure for acceptance and payment of the Rights Shares is set out on page 13 of this Prospectus.

The Underwriting Agreement contains provisions which entitle the Grand Investment (as defined below) (for and on behalf of the Underwriters), by notice in writing, to terminate the Underwriting Agreement prior to the Latest Time for Termination (as defined below) on the occurrence of certain events. These events are set out under the section headed "Termination of the Underwriting Agreement" on page 7 of this Prospectus. If Grand Investment (for and on behalf of the Underwriters) terminates the Underwriting Agreement, the Rights Issue will not proceed.

Shareholders should note that the Shares have been dealt in on an ex-rights basis commencing from Tuesday, 20 April 2010 and that dealings in the Shares may take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on Tuesday, 18 May 2010), will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

29 April 2010

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DEFINITIONS

In this Prospectus, the following expressions have the meanings set out below unless the context requires otherwise:

“Announcement”	the announcement of the Company dated 19 March 2010 in respect of, among other things, the Rights Issue
“associate”	has the same meaning ascribed to it under the Listing Rules
“Best Champion”	Best Champion Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of United Gene Holdings Limited, which is a company incorporated in the British Virgin Islands and whose entire issued share capital is wholly and beneficiary owned by Dr. Mao Yumin. Best Champion is the controlling shareholder (as defined in the Listing Rules) of the Company and one of the Underwriters pursuant to the Underwriting Agreement
“Best Champion Commitment”	up to 860,749,292 Rights Shares to be underwritten by Best Champion, being the Untaken Shares less the Grand Investment Commitment
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks generally are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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 the issued Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Grand Investment”	Grand Investment (Securities) Limited, a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, acting as one of the Underwriters pursuant to the Underwriting Agreement
“Grand Investment Commitment”	up to 1,721,498,585 Rights Shares to be underwritten by Grand Investment and determined in accordance with the following formula: $\text{Untaken Shares} \times A\%$ where, $A\% = 1,721,498,585 / (6,082,254,031 - \text{number of Undertaken Shares}) \times 100\%$ provided that if A% is equal to or exceeds 100%, Grand Investment will underwrite the entire amount of the Untaken Shares under the Grand Investment Commitment
“Group”	the Company and its subsidiaries from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Best Champion, United Gene Holdings Limited, Dr. Mao Yumin and their respective associates
“Irrevocable Undertaking”	the irrevocable undertaking given by Best Champion in favour of the Company and the Underwriters
“Last Acceptance Date”	Thursday, 13 May 2010
“Latest Acceptance Time”	4: 00 p.m. on Thursday, 13 May 2010 or such later time as may be agreed between the Company and Grand Investment (for and on behalf of the Underwriters), being the latest time for acceptance of provisional allotments of the Rights Shares in nil-paid form

DEFINITIONS

“Latest Practicable Date”	Tuesday, 27 April 2010, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information for inclusion in this Prospectus
“Latest Time for Termination”	4:00 p.m. on the third Business Day after the Latest Acceptance Time, being the latest time by which Grand Investment (for and on behalf of the Underwriters) may terminate the Underwriting Agreement
“Last Trading Day”	Friday, 19 March 2010, being the last day on which the Shares were traded on the Stock Exchange immediately preceding the publication of the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholders”	Overseas Shareholders to whom the Board (based on legal opinions provided by legal advisers) considers it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus and the Provisional Allotment Letter
“Prospectus Posting Date”	Thursday, 29 April 2010
“Provisional Allotment Letter”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in respect of their assured entitlements under the Rights Issue
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	Tuesday, 27 April 2010

DEFINITIONS

“Registrar”	Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the issue of Rights Shares by the Company on the basis of one Rights Share for every existing Share to the Qualifying Shareholders at the Subscription Price, pursuant to the terms and conditions of the issue
“Rights Share(s)”	6,082,254,031 new Shares to be issued by the Company pursuant to the Rights Issue
“SFC”	The Securities and Futures Commission in Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary shares with par value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.052 per Rights Share
“Undertaken Shares”	Rights Shares to be provisionally allotted to Best Champion and its associates on an assured basis which have been undertaken to be accepted and subscribed by Best Champion and its associates, being 3,500,006,154 Rights Shares
“Underwriters”	Best Champion and Grand Investment
“Underwriting Agreement”	the underwriting agreement dated 19 March 2010 entered into among the Company, Best Champion and the Underwriters in relation to the Rights Issue
“Underwritten Shares”	2,582,247,877 Rights Shares, being all the Rights Shares to be issued in the Rights Issue less the Undertaken Shares

DEFINITIONS

“Untaken Shares”	the Rights Shares (including Rights Shares which would have been provisionally allotted to Non-Qualifying Shareholders) in respect of which valid acceptances of provisional allotments, accompanied by remittances for the respective amounts payable on acceptance or application, have not been received by the Company by the latest time for acceptance of and payment for Rights Shares
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

2010

Hong Kong time

First day of dealing in nil-paid Rights Shares Monday, 3 May 2010

Latest time for splitting of nil-paid

Rights Shares 4:30 p.m. on Wednesday, 5 May 2010

Last day of dealing in nil-paid Rights Shares Monday, 10 May 2010

Latest time for acceptance of and payment

for Rights Shares 4:00 p.m. on Thursday, 13 May 2010

Latest time for the Rights Issue to

become unconditional 4:00 p.m. on Tuesday, 18 May 2010

Announcement of results of acceptance

of the Rights Issue Tuesday, 18 May 2010

Despatch of share certificates for fully-paid Rights Shares Thursday, 20 May 2010

Commencement of dealings in fully-paid Rights Shares Tuesday, 25 May 2010

All references to times and dates in this Prospectus are references to Hong Kong local times and dates.

Dates or deadlines specified herein may be varied or extended by the Company and the Underwriters and are therefore tentative and indicative only. Further announcement(s) will be made by the Company on any changes to the above expected timetable, if and when appropriate.

Note: The Latest Acceptance Time will not take effect if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- (1) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the Last Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and will be extended to 5:00 p.m. on the same Business Day; or
- (2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Last Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Acceptance Time does not take effect at 4:00 p.m. on Thursday, 13 May 2010, the dates mentioned above may be affected. The Company will notify Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

Under the Underwriting Agreement, Grand Investment (for and on behalf of the Underwriters) shall be entitled by notice in writing to the Company terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination, any of the following happens, which in the reasonable opinion of Grand Investment (for and on behalf of the Underwriters) acting in good faith, the success of the Rights Issue would be materially and adversely affected by:

- (1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Grand Investment (for and on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (2) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement, of a political, financial, economic currency, market or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Grand Investment (for and on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (3) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of Grand Investment (for and on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole,

If the Underwriting Agreement is terminated by Grand Investment (for and on behalf of the Underwriters) on or before the Latest Time for Termination or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and the Rights Issue will not proceed and neither the Company nor Grand Investment (for and on behalf of the Underwriters) shall have any claim against the other party for costs, damages, compensation or otherwise in connection with the Underwriting Agreement.

LETTER FROM THE BOARD



UNITED GENE HIGH-TECH GROUP LIMITED

聯合基因科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 399)

Executive Directors:

Mr. Qin Yilong (*Chairman*)

Mr. Shen Xiaodong

Mr. Jiang Jian

Registered office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent non-executive Directors:

Dr. Zhang Huiming

Dr. Zhu Lijun

Ms. Chen Weijun

Principal place of business

in Hong Kong:

Rooms No. 1405-1406

Harbour Centre

No. 25 Harbour Road

Wanchai

Hong Kong

29 April 2010

*To the Qualifying Shareholders and for information only,
the Non-Qualifying shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE
IN THE PROPORTION OF ONE RIGHTS SHARE
FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE**

INTRODUCTION

On 19 March 2010, the Board announced that the Company proposed to put forward a proposal to the Shareholders to effect the Rights Issue which involves the issuance of 6,082,254,031 Rights Shares at the Subscription Price of HK\$0.052 per Rights Share on the basis of one Rights Share for every existing Share in issue on the Record Date. The proposed Rights Issue is intended to raise funds of about HK\$316.28 million (before expenses). The Rights Issue is only available to Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

At the extraordinary general meeting of the Company on 27 April 2010, the ordinary resolution with respect to the Rights Issue was duly passed by the Independent Shareholders.

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you with, among other things, further details of the Rights Issue, including on procedures for subscription and payment and certain financial information and other information in respect of the Group.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	One Rights Share for every existing Share held on the Record Date and payable in full upon application
Number of existing shares in issue as at the Record Date	:	6,082,254,031 Shares
Number of Rights Shares	:	6,082,254,031 Rights Shares
Subscription Price	:	HK\$0.052 per Rights Share
Enlarged issued share capital immediately upon completion of the Rights Issue	:	12,164,508,062 Shares

As at the Record Date, there were no outstanding derivatives, options, warrants or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares. Assuming the completion of the Rights Issue, an aggregate 6,082,254,031 Rights Shares would be allotted and issued under the Rights Issue, representing 100% of the existing issued share capital of the Company as at the Record Date and 50% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue. The aggregate nominal value of the Rights Shares is HK\$60,822,540.31.

Pursuant to the Underwriting Agreement, the Company has undertaken that it shall not, without the prior consent of Grand Investment (for and on behalf of the Underwriters), issue any Share or issue or grant any share options or other securities convertible into, exchangeable for or which carry right to acquire Shares (other than the Rights Shares) from the date of the Underwriting Agreement until after the Latest Acceptance Time.

Subscription Price

The Subscription Price is HK\$0.052 per Rights Share, payable in cash in full when a Qualifying Shareholder accepts its provisional allotment under the Rights Issue. Such Subscription Price represents:

- (i) a discount of approximately 82.07% to the closing price per Share of HK\$0.29 as quoted on the Stock Exchange on the Latest Practicable Date;

LETTER FROM THE BOARD

- (ii) a discount of approximately 89.17% to the closing price per Share of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 89.34% to the average closing price of HK\$0.488 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 89.33% to the average closing price of HK\$0.4875 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and
- (v) a discount of approximately 80.45% to the theoretical ex-rights price of HK\$0.266 per Share based on the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and Grand Investment (for and on behalf of the Underwriters) with reference to the prevailing market conditions and recent financial conditions of the Group. The Directors consider that the terms of the Rights Issue, including the determination of the Subscription Price, are fair and reasonable and could enhance the attractiveness of the Rights Issue, so as to encourage the Qualifying Shareholders to participate in the Rights Issue without exerting excessive financial burden on the part of the Shareholders. The Rights Issue also offers an opportunity for each Qualifying Shareholder to maintain their respective pro rata shareholdings in the Company.

In light of the above, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue. The net price per Rights Share upon full acceptance of the relevant provisional allotment of the Rights Shares will be approximately HK\$0.051.

Fractions of the Rights Issue

On the basis of provisional allotment of one Rights Share for every existing Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Odd lot arrangement

Given that there will not be any odd lots as a result of the Rights Issue, there will be no odd lots arrangement.

LETTER FROM THE BOARD

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* with the then existing Shares in issue on the date of allotment of the Rights Shares. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid with a record date which falls on or after the date of allotment and issue of the Rights Shares. Dealings in the Rights Shares will be subject to payment of stamp duty in Hong Kong, Stock Exchange trading fees, Securities and Futures Commission transaction levy and other applicable fees and charges in Hong Kong.

No application for excess Rights Shares

There is no arrangement for application of Rights Shares by Qualifying Shareholders in excess of their entitlements. Considering that each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company's future development by subscribing for his/her/its proportionate entitlement under the Rights Issue and there will be dealing of nil-paid Rights Shares on the Stock Exchange, if application for excess Rights Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures, which is not cost-effective from the viewpoint of the Company. Any Rights Shares not taken up by the Qualifying Shareholders will be taken by the Underwriters and/or subscribers procured by the Underwriters. The absence of excess application and the alternative arrangement for the disposal of the Rights Shares not taken up was approved by the Independent Shareholders at the extraordinary general meeting of the Company on 27 April 2010.

Share certificate for the Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for the Rights Shares are expected to be posted by ordinary mail to Qualifying Shareholders who have validly accepted and applied for (where appropriate), and paid for the Rights Shares on Thursday, 20 May 2010 at their own risk.

Qualifying Shareholders

The Company has sent (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus, but without the related Provisional Allotment Letter, to the Non-Qualifying Shareholders for information only.

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

LETTER FROM THE BOARD

Non-Qualifying Shareholders

According to the register of members of the Company as at the Record Date, there were three Overseas Shareholders with registered addresses located in Macau, the People's Republic of China (the "PRC") and the United States of America respectively.

The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders taking into consideration the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange for the issue of Rights Shares to the Overseas Shareholders.

After making such enquiry, the Directors are of the opinion that it is expedient not to make available the Rights Issue to the Overseas Shareholder in the United States of America. The Directors' opinion reflects their consideration of, among other things, the costs associated with the Company's compliance with applicable U.S. federal and state securities laws and regulations relative to the potential benefit of extending the Rights Issue to the Overseas Shareholder in the United States of America. Accordingly, the Rights Issue will not be extended to the Overseas Shareholder in the United States of America, who will be deemed a Non-Qualifying Shareholder. The Company will send this Prospectus to this Non-Qualifying Shareholder for his information only.

The Directors have been advised by the legal advisers in Macau and the PRC that no local legal or regulatory compliance is required to be met in these jurisdictions. Accordingly, the Directors have decided that the Rights Issue will be extended to the Overseas Shareholders in these jurisdictions.

Each Qualifying Shareholder subscribing for the Rights Shares will be required under the Rights Issue and is deemed by his subscription of the Rights Shares, to confirm that he is aware of and has complied with the restriction and requirement upon his subscription for Rights Shares. The Qualifying Shareholders are reminded to consult their financial and legal advisers and legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. The Qualifying Shareholders should also inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the jurisdictions of their respective citizenship, residence or domicile.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholder to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expense) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid to the Non-Qualifying Shareholder. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company.

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

LETTER FROM THE BOARD

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

Shares will be eligible for admission into CCASS

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Procedures for Acceptance and payment of the Rights Shares

A Provisional Allotment Letter is enclosed with this Prospectus which entitles you to accept any number of Rights Shares allocated to you based on your shareholding as at the Record Date. If you are a Qualifying Shareholder and you wish to subscribe for any number of Rights Shares in your assured entitlement of Rights Shares to which you are entitled, you must complete, sign and lodge the Provisional Allotment Letter in accordance with the instructions printed thereon, together with remittance for the aggregate subscription price in respect of such number of Rights Shares you have accepted with the Registrar by not later than 4:00 p.m. on Thursday, 13 May 2010. **All remittance must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "United Gene High-Tech Group Limited – Rights Issue Account" and crossed "Account Payee Only".**

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Issuer : the Company

Underwriters : Best Champion and Grand Investment

LETTER FROM THE BOARD

Number of Underwritten Shares : up to 2,582,247,877 Rights Shares, being all the Rights Shares to be issued in the Rights Issue less the Undertaken Shares. The underwriting of the Underwritten Shares by Best Champion and Grand Investment under the Underwriting Agreement will be on a several (not joint) and pro-rata basis; the Undertaken Shares will be taken up by Best Champion and Grand Investment in the ratio of the Best Champion Commitment to the Grand Investment Commitment.

Commission : (for Grand Investment only) five per cent. of the aggregate Subscription Price of the maximum Grand Investment Commitment.

Best Champion will not receive any underwriting commission.

The Rights Issue is fully underwritten. The underwriting commission was arrived at after arm's length negotiations between the Company and Grand Investment. The Directors are of the opinion that the terms of the Underwriting Agreement and the amount of commission given to Grand Investment is fair and commercially reasonable as agreed between the Company and Grand Investment in view of the volatility in the Share price during the past few months and the financial position of the Group for the past three years.

As at the Latest Practicable Date, Grand Investment was not beneficially interested in any Shares. To the best of the Directors' knowledge and information, Grand Investment and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Irrevocable Undertaking

As at the Record Date, Best Champion was beneficially interested in 3,500,006,154 Shares, representing approximately 57.54% of the existing issued share capital of the Company.

It is a term of the Underwriting Agreement that Best Champion has to give the Irrevocable Undertaking to the Company and the Underwriters, among other matters, that: (i) it will accept and procure its associates to accept all the Rights Shares to be provisionally allotted to it and its associates pursuant to the Rights Issue in respect of the Shares held by it and its associates as at the Record Date; and (ii) it and its associates will not, during the period from immediately after the execution of the Underwriting Agreement and prior to or on the date the Underwriting Agreement becoming unconditional, transfer or otherwise dispose of any of the Shares held by it and its associates such that after such transfer or disposal it and its associates will hold less than 50% of the Shares in issue.

LETTER FROM THE BOARD

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (1) the Company despatching the circular to the Shareholders containing, among other matters, details of the Rights Issue together with proxy form and the notice of the extraordinary general meeting of the Company;
- (2) the passing by the Independent Shareholders at the extraordinary general meeting of the Company of ordinary resolutions to approve the Rights Issue;
- (3) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms);
- (4) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (5) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Prospectus Posting Date;
- (6) compliance with and performance of all the undertakings and obligations of the Company and the Underwriters under the terms of the Underwriting Agreement; and
- (7) compliance with and performance by Best Champion of all of its obligations and undertakings under the Irrevocable Undertaking.

None of the parties to the Underwriting Agreement may waive conditions (1) to (5) above (both inclusive). Grand Investment (for and on behalf of the Underwriters) may waive condition (6) above (so far as it relates to the Company) and condition (7) above in whole or in part by written notice to the Company. If any of the conditions of the Rights Issue are not fulfilled (or in respect of condition (6), waived in whole or in part by Grand Investment (for and on behalf of the Underwriters) on or before the Latest Acceptance Time (or such later time and/or date as the Company and Grand Investment (for and on behalf of the Underwriters) may agree in writing), the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor Grand Investment (for and on behalf of the Underwriters) shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breach and the Rights Issue will not proceed.

LETTER FROM THE BOARD

As at the Latest Practicable Date, conditions (1) & (2) of the above conditions were fulfilled or waived. It is expected that conditions (4) & (5) of the above conditions will be fulfilled on the Prospectus Posting Date.

Information of the Underwriters

Grand Investment is a company incorporated in Hong Kong and is a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO. To the best of the Directors' knowledge and information, Grand Investment and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Best Champion is a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, Best Champion is beneficially interested in 3,500,006,154 Shares, representing approximately 57.54% of the existing issued share capital of the Company. Best Champion is wholly-owned by United Gene Holdings Limited, whose entire issued share capital is wholly and beneficially owned by Dr. Mao Yumin. As such, Dr. Mao is deemed to be interested in the 3,500,006,154 Shares held by Best Champion. The ordinary course of business of Best Champion is investment holding and does not include underwriting.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE

Set out below are tables showing the changes in shareholding structure of the Company arising from the Rights Issue:

Name of Shareholder	As at the Record Date		Upon completion of the Rights Issue			
			Assuming no Shareholders (other than Best Champion and its associates, where applicable) have taken up any of their entitlements under the Rights Issue and all the Rights Shares are taken up by the Underwriters		Assuming all Shareholders have taken up their entitlements under the Rights Issue	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Best Champion (and its associates, where applicable) (Note 1)	3,500,006,154	57.54%	7,860,761,600	64.62%	7,000,012,308	57.54%
Grand Investment	-	-	1,721,498,585	14.15%	-	-
Public (Note 2)	2,582,247,877	42.46%	2,582,247,877	21.23%	5,164,495,754	42.46%
Total	6,082,254,031	100%	12,164,508,062	100%	12,164,508,062	100%

Notes:

- (1) Best Champion is the controlling shareholder (as defined in the Listing Rules) of the Company. Best Champion is a wholly-owned subsidiary of United Gene Holdings Limited, the entire issued share capital of which is wholly and beneficiary owned by Dr. Mao Yumin. As such, Dr. Mao is deemed to be interested in the 3,500,006,154 Shares held by Best Champion.
- (2) Pursuant to the terms of the Underwriting Agreement, Grand Investment (for and on behalf of the Underwriters) has undertaken to the Company that if there is an indication that the shareholding of the Company held by the public Shareholders will become less than 25% of the then issued share capital of the Company upon completion of the Rights Issue, Grand Investment (for and on behalf of the Underwriters) will procure subscribers (who are independent third parties not connected with the Directors, chief executive and substantial shareholders of the Company or its subsidiaries or any of their respective associates) to subscribe or procure placees to place down the Shares which has been taken up by itself to maintain or restore the minimum public float requirement of the Company in compliance with the Listing Rules. Grand Investment has entered into sub-underwriting agreement with sub-underwriter with terms to secure that the sub-underwriter will sub-underwrite the then sufficient number of underwritten shares to maintain the public float of the Company.

You should note that the above shareholding structure changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue. Further announcement(s) will be made by the Company in accordance with the Listing Rules following the completion of the Rights Issue.

LETTER FROM THE BOARD

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is principally engaged in distribution of gene testing services and pharmaceutical products. The proposed Rights Issue is intended to raise funds of about HK\$316.28 million (before expenses). The net proceeds from the Rights Issue after deducting for expenses are estimated to be approximately HK\$310.08 million. The Group intends to use the net proceeds 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 as to approximately 10% for general working capital purposes of the Group. No definitive or legally binding agreement or contract relating to the above possible investments has been signed by the Group up to the Latest Practicable Date.

The Board considers that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future developments of the Group. Accordingly, the Board considers that fund raising through the Rights Issue is in the interests of the Group and the Shareholders as a whole.

FUND-RAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising exercise in the twelve months immediately preceding the Latest Practicable Date.

WARNING OF THE RISK OF DEALING IN THE SHARES

The Rights Issue is conditional upon, *inter alia*, the fulfillment or waiver of the conditions set out under the paragraph headed “Conditions of the Rights Issue” under the section headed “Underwriting Arrangements” in this Prospectus. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms thereof (a summary of which is set out under the section headed “Termination of the Underwriting Agreement” on page 7 of this Prospectus). The Rights Issue may or may not proceed.

Any persons contemplating buying or selling Shares from the date of this Prospectus up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between Monday, 3 May 2010 to Monday, 10 May 2010 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers.

LETTER FROM THE BOARD

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholding in the Company will be diluted.

If the Underwriting Agreement is terminated on or before the Latest Time for Termination or does not become unconditional, the Rights Issue will not proceed.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,
United Gene High-Tech Group Limited
Qin Yilong
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited and unaudited consolidated results and financial position of the Group for each of the three years ended 30 June 2009 and for the six months ended 31 December 2009 respectively, as extracted from the respective annual and interim reports of the Company:

Results

	For the six months ended 31 December 2009	For the year ended 30 June		
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)
Turnover	294,170	374,442	317,041	83,111
Profit/(loss) before tax	4,489	746,331	(68,546)	(64,131)
Income tax	(508)	(1,090)	(33)	(10)
Profit/(loss) attributable to:				
Equity holders of the Company	3,957	745,205	(68,621)	(64,150)
Non-controlling interests	24	36	42	9
	<u>3,981</u>	<u>745,241</u>	<u>(68,579)</u>	<u>(64,141)</u>

Assets and liabilities

	As at 31 December 2009	2009	As at 30 June 2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)	(Audited)	(Audited)
Non-current assets	86,602	41,718	34,751	35,840
Current assets	44,162	98,521	18,764	9,714
Current liabilities	(18,839)	(32,311)	(840,555)	(762,220)
Non-current liabilities	–	–	(1,430)	(1,637)
	<u>111,925</u>	<u>107,928</u>	<u>(788,470)</u>	<u>(718,303)</u>
Net assets/(liabilities)				
Attributable to:				
Equity holders of the Company	111,359	107,386	(788,976)	(718,517)
Non-controlling interests	566	542	506	214
	<u>111,925</u>	<u>107,928</u>	<u>(788,470)</u>	<u>(718,303)</u>

Qualified Independent Auditor's Report

The following is an extract of the independent auditor's report that dealt with the qualifications on the Group's financial statements for the year ended 30 June 2007. The annual audited financial statements of the Group for the years ended 30 June 2008 and 2009 are unqualified.

“Basis for disclaimer of opinion**Opening Balances and Corresponding Figures**

Our audit opinion on the financial statements of the Group for the year ended 30 June 2006 (the “2006 Financial Statements”), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 8 April 2008. Accordingly, we were then unable to form an opinion as to whether the 2006 Financial Statements gave a true and fair view of the state of affairs of the Group as at 30 June 2006 and of the Group's results and cash flows for the year then ended.

Any adjustments to the figures as described above might have a significant consequential effect on the Group's results and cash flows for the year ended 30 June 2006 and the financial positions of the Group as at 30 June 2006 and the related disclosures thereof in the financial statements.

Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group (the "Resumption Proposal") was submitted to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 March 2006. The Resumption Proposal involves capital restructuring, debt restructuring, subscription of shares and group restructuring, resulting in a reduction of the Company's indebtedness.

The Resumption Proposal is, however, dependent upon the scheme of arrangement for the restructuring of the Company's indebtedness being accepted by the majority of each class of the Company's creditors and the re-listing of the Company's shares on the Stock Exchange. The Resumption Proposal is also conditional upon the relevant approvals being obtained from the shareholders, the High Court of Hong Kong, the Grand Court of the Cayman Islands and the Hong Kong regulatory authorities including the Stock Exchange and the Securities and Futures Commission.

The financial statements have been prepared on a going concern basis on the assumption that the Resumption Proposal will be successfully completed and that, following the Resumption Proposal, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The financial statements do not include any adjustments that would result from a failure to complete the Resumption Proposal. However, in view of the extent of the material uncertainty relating to the completion of the Resumption Proposal, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 30 June 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Withdrawal of our previous auditor's report

As stated in note 1 to the financial statements, the Directors have withdrawn the audited consolidated financial statements of the Company for the year ended 30 June 2007 which were issued on 23 August 2007 and audited by us. As a result, we withdraw our auditor's report dated on 23 August 2007 on those financial statements."

2. LATEST ANNUAL FINANCIAL STATEMENTS

Set out below are the audited consolidated financial statements of the Group for the year ended 30 June 2009, together with the accompanying notes relating thereto and the comparative figures for the year ended 30 June 2008 as extracted from the annual report of the Company for the year ended 30 June 2009.

Consolidated Income Statement

For the year ended 30 June 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	7	374,442	317,041
Cost of sales		<u>(362,895)</u>	<u>(308,933)</u>
Gross profit		11,547	8,108
Other income	8	631,559	71
Selling expenses		(2,421)	(6,643)
Administrative expenses		<u>(28,237)</u>	<u>(10,135)</u>
Profit/(loss) from operations		612,448	(8,599)
Gain on deconsolidation of the subsidiaries	10	134,516	–
Finance cost	11	<u>(633)</u>	<u>(59,947)</u>
Profit/(loss) before tax		746,331	(68,546)
Income tax expense	12	<u>(1,090)</u>	<u>(33)</u>
Profit/(loss) for the year	13	<u><u>745,241</u></u>	<u><u>(68,579)</u></u>
Attributable to:			
Equity holders of the Company	16	745,205	(68,621)
Minority interests		<u>36</u>	<u>42</u>
		<u><u>745,241</u></u>	<u><u>(68,579)</u></u>
Earnings/(loss) per share	18		
Basic and diluted (<i>HK cents per share</i>)		<u><u>12.83</u></u>	<u><u>(31.54)</u></u>

Consolidated Balance Sheet

At 30 June 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	19	1,718	24,383
Prepaid lease payments	21	–	10,368
Prepayments, deposits and other receivables	5(d)	40,000	–
		<u>41,718</u>	<u>34,751</u>
Current assets			
Inventories	22	2,393	5,641
Prepayments, deposits and other receivables		17,839	344
Trade receivables	23	4,224	10,828
Prepaid lease payments	21	–	241
Bank and cash balances	24	74,065	1,710
		<u>98,521</u>	<u>18,764</u>
Current liabilities			
Bank loans	25	–	674,146
Trade payables	26	24,893	24,599
Accruals and other payables	27	6,415	141,810
Current tax liabilities		1,003	–
		<u>32,311</u>	<u>840,555</u>
Net current assets/(liabilities)		<u>66,210</u>	<u>(821,791)</u>
Total assets less current liabilities		<u>107,928</u>	<u>(787,040)</u>
Non-current liabilities			
Deferred taxation	28	–	1,430
NET ASSETS/(LIABILITIES)		<u>107,928</u>	<u>(788,470)</u>
Capital and reserves			
Share capital	29	60,823	2,176
Reserves	30	46,563	(791,152)
Equity attributable to equity holders of the Company		<u>107,386</u>	<u>(788,976)</u>
Minority interests		542	506
TOTAL EQUITY		<u>107,928</u>	<u>(788,470)</u>

Balance Sheet

At 30 June 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	19	319	–
Investment in a subsidiary	20	–	–
		<u>319</u>	<u>–</u>
Current assets			
Due from subsidiaries	20	94,235	–
Prepayments, deposits and other receivables		1,111	38
Bank and cash balances		<u>7,931</u>	<u>–</u>
		<u>103,277</u>	<u>38</u>
Current liabilities			
Bank loans	25	–	646,524
Accruals and other payables		<u>1,024</u>	<u>12,521</u>
		<u>1,024</u>	<u>659,045</u>
Net current assets/(liabilities)		<u>102,253</u>	<u>(659,007)</u>
NET ASSETS/(LIABILITIES)		<u><u>102,572</u></u>	<u><u>(659,007)</u></u>
Capital and reserves			
Share capital	29	60,823	2,176
Reserves	30	<u>41,749</u>	<u>(661,183)</u>
TOTAL EQUITY		<u><u>102,572</u></u>	<u><u>(659,007)</u></u>

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	Attributable to equity holders of the Company								
	Share capital	Share premium account	Statutory surplus reserve	Property revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2007	54,394	385,249	998	4,545	(221)	(1,163,482)	(718,517)	214	(718,303)
Translation difference	-	-	-	-	(703)	-	(703)	-	(703)
Revaluation deficit on buildings	-	-	-	(1,135)	-	-	(1,135)	-	(1,135)
Net expense recognised directly in equity	-	-	-	(1,135)	(703)	-	(1,838)	-	(1,838)
Loss for the year	-	-	-	-	-	(68,621)	(68,621)	42	(68,579)
Total recognised income and expense for the year	-	-	-	(1,135)	(703)	(68,621)	(70,459)	42	(70,417)
Reduction of share capital	(52,218)	-	-	-	-	52,218	-	-	-
Capital contribution by minority	-	-	-	-	-	-	-	250	250
At 30 June 2008	<u>2,176</u>	<u>385,249</u>	<u>998</u>	<u>3,410</u>	<u>(924)</u>	<u>(1,179,885)</u>	<u>(788,976)</u>	<u>506</u>	<u>(788,470)</u>
At 1 July 2008	2,176	385,249	998	3,410	(924)	(1,179,885)	(788,976)	506	(788,470)
Translation difference	-	-	-	-	(71)	-	(71)	-	(71)
Revaluation surplus on buildings	-	-	-	176	-	-	176	-	176
Net income recognised directly in equity	-	-	-	176	(71)	-	105	-	105
Profit for the year	-	-	-	-	-	745,205	745,205	36	745,241
Total recognised income and expense for the year	-	-	-	176	(71)	745,205	745,310	36	745,346
Shares issued on group restructuring (Note 29(c))	58,647	91,295	-	-	-	-	149,942	-	149,942
Deconsolidation of subsidiaries	-	-	(998)	(3,586)	1,110	4,584	1,110	-	1,110
At 30 June 2009	<u>60,823</u>	<u>476,544</u>	<u>-</u>	<u>-</u>	<u>115</u>	<u>(430,096)</u>	<u>107,386</u>	<u>542</u>	<u>107,928</u>

Consolidated Cash Flow Statement*For the year ended 30 June 2009*

	2009	2008
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Profit/(loss) before tax	746,331	(68,546)
Adjustments for:		
Depreciation	1,093	2,837
Loss on written off of property, plant and equipment	108	277
Amortisation of prepaid lease payments	101	241
Impairment on an amount due from a subsidiary deconsolidated	3,226	–
Gain on deconsolidation of the subsidiaries	(134,516)	–
Other income arising from release of a bank loan and other liabilities pursuant to the Scheme	(631,378)	–
Interest income	(172)	(1)
Finance cost	633	59,947
	<hr/>	<hr/>
Operating cash flows before working capital changes	(14,574)	(5,245)
Change in inventories	3,248	(3,029)
Change in prepayments, deposits and other receivables	(57,875)	1,877
Change in trade receivables	5,000	(7,172)
Change in trade payables	15,847	8,666
Change in accruals and other payables	1,725	8,394
	<hr/>	<hr/>
Cash (used in)/generated from operations	(46,629)	3,491
Tax paid	(87)	(33)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(46,716)	3,458

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Cash flows from investing activities			
Interest received		172	1
Purchase of property, plant and equipment		(738)	(39)
Advancement to a subsidiary deconsolidated		(3,226)	–
Deconsolidation of the subsidiaries	<i>10</i>	<u>(1,127)</u>	<u>–</u>
Net cash used in investing activities		<u>(4,919)</u>	<u>(38)</u>
Cash flows from financing activities			
Interest paid		(633)	(924)
Repayments of borrowings		(229)	(348)
Capital contribution by minority		–	250
Settlement of a bank loan and other liabilities pursuant to the Scheme		(25,000)	–
Proceeds on issue of shares		<u>149,942</u>	<u>–</u>
Net cash generated from/(used in) financing activities		<u>124,080</u>	<u>(1,022)</u>
Net increase in cash and cash equivalents		72,445	2,398
Effect of foreign exchange rate changes		(90)	(1,695)
Cash and cash equivalents at beginning of year		<u>1,710</u>	<u>1,007</u>
Cash and cash equivalents at end of year		<u><u>74,065</u></u>	<u><u>1,710</u></u>
Analysis of cash and cash equivalents			
Bank and cash balances		<u><u>74,065</u></u>	<u><u>1,710</u></u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is Rooms No. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements.

2. BASIS OF PREPARATION**Deconsolidation of subsidiaries**

Pursuant to a scheme of arrangement (the "Scheme") which became effective on 18 July 2008, three subsidiaries of the Group, namely First Sight Technology Group Limited, Boomtown Ventures Limited and Far East Global Group Limited were transferred to the nominee of the scheme administrators on 11 July 2008 (the "Date of Transfer"). The Group therefore lost control on these subsidiaries since the Date of Transfer. In additions, Hong Kin Holdings Limited, which directly holds 上海德勝科技集團(安慶)製藥有限公司 (Shanghai Desheng Technology Group (Anging) Pharmaceutical Company Limited), passed a special resolution on 19 December 2008 that the company be wound up voluntarily. As such, the Group also lost control of these two subsidiaries since then. As such, the financial results, assets and liabilities and cash flows of First Sight Technology Group Limited, Boomtown Ventures Limited, Far East Global Group Limited, Hong Kin Holdings Limited and 上海德勝科技集團(安慶)製藥有限公司 (Shanghai Desheng Technology Group (Anging) Pharmaceutical Company Limited) were therefore deconsolidated from the consolidated financial statements of the Group since the respective dates of loss of control of these subsidiaries.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 July 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior years.

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

4. SIGNIFICANT ACCOUNTING POLICIES**Statement of compliance**

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and equity holders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the consolidated income statement.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings are carried at fair values less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement during the year in which they are incurred.

Revaluation increases of buildings are recognised in the consolidated income statement to the extent that the increases reverse previous revaluation decreases of the same asset. All other revaluation increases are credited to the property revaluation reserve in shareholders' equity. Revaluation decreases that offset previous revaluation increases of the same asset are charged against property revaluation reserve directly in equity. All other decreases are recognised in the consolidated income statement. On the subsequent sale or retirement of a revalued building, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	Over the lease terms or 30 years, whichever is shorter
Plant and machinery	5 – 10 years
Motor vehicles	3 – 5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents buildings under construction and plant and machinery pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated income statement.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the consolidated income statement.

Impairment losses are reversed in subsequent periods and recognised in the consolidated income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenues from the distribution of gene testing services are recognised when the testing services cards have been sold to the customers and the Group has no further obligation to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the consolidated income statement represents contributions payable by the Group to the funds.

Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the year in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A party is related to the Group if:

- (a) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a joint venture;
- (d) the party is a member of the key management personnel of the Company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, prepaid lease payments, inventories, trade and other receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, management has made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which is dealt with below).

Financial results of 山東特利爾醫藥有限公司 (Shandong Telier Pharmaceutical Company Limited) ("the CJV")

In accordance with an agency agreement, some of the sales and purchase transactions of the CJV were carried out on the CJV's behalf by 山東特利爾營銷策劃有限公司 (Shandong Telier Marketing Planning Company Limited), who holds 20% of the ownership interest in the CJV. The consolidated financial statements have been prepared on the basis that those sales and purchases for the year ended 30 June 2009 have been included in the Group's current year results. In view of the various terms stipulated in the agency agreement, the Directors regard such accounting treatments as appropriate.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual values. The determination of the useful lives and residual values involves management's estimation. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

(b) Allowance for bad and doubtful debts

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customers collection issues that have been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

(c) Allowance for inventories

The management of the Group reviews an aging analysis of inventories at each balance sheet date, and makes allowances for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowances for obsolete items.

(d) Allowance for deposits paid

On 2 May 2008, China United Gene Health Limited (formerly known as Main Wealth Limited) "United Gene Health", a subsidiary of the Group, entered into an exclusive distribution agreement with China United Gene Health Industry Limited ("China United") to act as the sole agent for the distribution of gene testing services in Hong Kong. On 12 August 2008, United Gene Health paid a non-interest bearing deposit of HK\$40,000,000 to China United as a guarantee that the annual turnover of United Gene Health would meet the minimum annual sales figures (the "Sales Target") set out in the exclusive distribution agreement.

On 22 January 2009, a letter was issued by China United which depicted that the Sales Target of HK\$120,000,000 for the first term was adjusted to HK\$60,000,000 if United Gene Health's first term turnover could not meet the Sales Target. Subsequently, the adjusted Sales Target of HK\$60,000,000 for the period from 2 May 2008 to 11 August 2009 as mutually agreed by both parties had been met upon United Gene Health's placement of an additional order of approximately HK\$3,859,000 to China United, pursuant to a memorandum of understanding dated 3 September 2009. In light of the Director's estimation that United Gene Health could also meet the Sales Target of HK\$60,000,000 for the second year, no allowance for the deposit was therefore made in these consolidated financial statements.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities or United States dollars for Group entities using Hong Kong dollar functional currency. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 30 June 2009 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade receivables and bank and cash balances. In order to minimise credit risk arising from trade receivables, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All financial liabilities of the Group are matured within 1 year.

(d) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

7. TURNOVER

The Group's turnover is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Manufacturing and distribution of pharmaceutical products	327,582	310,515
Distribution of gene testing services	46,860	6,526
	<u>374,442</u>	<u>317,041</u>

8. OTHER INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest income	172	1
Release of a bank loan and other liabilities pursuant to the Scheme	631,378	–
Sundry income	9	70
	<u>631,559</u>	<u>71</u>

9. SEGMENT INFORMATION

Primary reporting format – business segments

The Group was principally engaged in the manufacturing and distribution of pharmaceutical products and the distribution of gene testing services. An analysis of the Group's financial performance and position by business segments, namely 'Manufacturing and distribution', 'Distribution of gene testing services' and 'Corporate and others' is as follows:

	Manufacturing and distribution		Distribution of gene testing services		Corporate and others		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Years ended 30 June 2009 and 2008								
Turnover	<u>327,582</u>	<u>310,515</u>	<u>46,860</u>	<u>6,526</u>	<u>–</u>	<u>–</u>	<u>374,442</u>	<u>317,041</u>
Segment results	<u>(4,470)</u>	<u>(5,869)</u>	<u>5,193</u>	<u>949</u>	<u>(19,834)</u>	<u>(3,750)</u>	<u>(19,111)</u>	<u>(8,670)</u>
Other income							<u>631,559</u>	<u>71</u>
Profit/(loss) from operations							<u>612,448</u>	<u>(8,599)</u>
Gain on deconsolidation of the subsidiaries							<u>134,516</u>	<u>–</u>
Finance cost							<u>(633)</u>	<u>(59,947)</u>
Profit/(loss) before tax							<u>746,331</u>	<u>(68,546)</u>
At 30 June 2009 and 2008								
Segment assets	11,530	46,902	119,348	6,526	9,361	87	<u>140,239</u>	<u>53,515</u>
Segment liabilities	10,595	60,954	19,689	5,577	–	–	<u>30,284</u>	<u>66,531</u>
Unallocated liabilities							<u>2,027</u>	<u>775,454</u>
Total liabilities							<u>32,311</u>	<u>841,985</u>
Other segment information:								
Capital expenditure	4	39	397	–	337	–	738	39
Depreciation	1,065	2,837	10	–	18	–	1,093	2,837
Amortisation	101	241	–	–	–	–	101	241
Impairment on an amount due from a subsidiary deconsolidated	–	–	–	–	3,226	–	3,226	–
Surplus/(deficit) on revaluation of buildings recognised directly in equity	<u>176</u>	<u>(1,135)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>176</u>	<u>(1,135)</u>

Secondary reporting format – geographical segments

The Group's operations are principally located in Hong Kong and the People's Republic of China ("PRC"). An analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the goods/services is as follows:

	Revenue		Total assets		Capital expenditure	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong	30,385	6,526	128,709	6,613	734	–
The PRC	344,057	310,515	11,530	46,902	4	39
	<u>374,442</u>	<u>317,041</u>	<u>140,239</u>	<u>53,515</u>	<u>738</u>	<u>39</u>

10. GAIN ON DECONSOLIDATION OF THE SUBSIDIARIES

	2009 HK\$'000	2008 HK\$'000
Gain on deconsolidation of the subsidiaries	<u>134,516</u>	<u>–</u>

As disclosed in note 2 to the consolidated financial statements, the control over certain subsidiaries including First Sight Technology Group Limited, Boomtown Ventures Limited, Far East Global Group Limited, Hong Kin Holdings Limited and 上海德勝科技集團(安慶)製藥有限公司 (Shanghai Desheng Technology Group (Anging) Pharmaceutical Company Limited) had been lost since 11 July 2008 and 19 December 2008. As such, the financial results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group.

Net liabilities of these subsidiaries as at the dates of deconsolidation were as follows:

	HK\$'000
Property, plant and equipment	22,535
Prepaid lease payments	10,554
Trade receivables	1,604
Prepayments, deposits and other receivables	380
Bank and cash balances	1,127
Bank loans	(27,512)
Trade payables	(15,553)
Accruals and other payables	(127,266)
Deferred tax	(1,495)
Net liabilities deconsolidated	(135,626)
Release of foreign currency translation reserve	<u>1,110</u>
Gain on deconsolidation of the subsidiaries	<u>(134,516)</u>
Net cash outflow arising on deconsolidation of the subsidiaries:	
Cash and cash equivalents of the subsidiaries deconsolidated	<u>(1,127)</u>

11. FINANCE COST

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on bank loans	<u>633</u>	<u>59,947</u>

12. INCOME TAX EXPENSE

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	812	–
Under-provision in prior years	156	–
Current tax – the PRC		
Provision for the year	<u>122</u>	<u>33</u>
	<u>1,090</u>	<u>33</u>

Hong Kong Profits Tax is provided at 16.5% (2008: 16.5%) based on the assessable profit for the year.

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

The reconciliation between the income tax expense and the profit/(loss) before tax is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit/(loss) before tax	<u>746,331</u>	<u>(68,546)</u>
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	123,145	(11,310)
Tax effect of net income that is not taxable and net expenses that are not deductible	(122,096)	11,327
Effect of difference in tax rates of subsidiaries operating in other jurisdictions	<u>41</u>	<u>16</u>
	<u>1,090</u>	<u>33</u>

13. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging the following:

	2009 HK\$'000	2008 HK\$'000
Depreciation	1,093	2,837
Directors' emoluments	1,411	180
Operating lease charges of land and buildings	805	552
Auditor's remuneration	980	780
Cost of inventories sold	322,564	303,504
Loss on written off of property, plant and equipment	108	277
Impairment on an amount due from a subsidiary deconsolidated	3,226	–
Staff costs including directors' emoluments		
Salaries, bonus and other benefits	4,382	3,002
Retirement benefits scheme contributions	662	–
	<u>5,044</u>	<u>3,002</u>

14. DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of each Director were as follows:

Name of Directors	Fee HK\$'000	Salaries and allowances HK\$'000	Other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Tai Kai Hing (note a)	–	218	–	7	225
Choi Suk Ching (note d)	–	151	–	6	157
Shen Xiaodong (note c)	–	222	99	8	329
Jiang Jian (note c)	–	222	–	–	222
Chiu Koon Shou, Victor (note f)	148	–	–	–	148
Chung Wai Man (note f)	148	–	–	–	148
Leung Wai Cheung (note b)	172	–	–	–	172
Zhang Huiming (note e)	5	–	–	–	5
Zhu Lijun (note e)	5	–	–	–	5
Total for 2009	<u>478</u>	<u>813</u>	<u>99</u>	<u>21</u>	<u>1,411</u>
Tai Kai Hing (note a)	–	–	–	–	–
Chiu Koon Shou, Victor (note f)	180	–	–	–	180
Chung Wai Man (note f)	–	–	–	–	–
Total for 2008	<u>180</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>180</u>

Notes:

- (a) Resigned on 9 February 2009
- (b) Appointed on 9 July 2008
- (c) Appointed on 19 November 2008
- (d) Appointed on 9 July 2008 and resigned on 18 December 2008
- (e) Appointed on 13 May 2009
- (f) Resigned on 13 May 2009

The five highest paid individuals in the Group during the year included four (2008: one) Director whose emolument is reflected in the analysis presented above. The emoluments of the remaining one (2008: four) individuals are set out below:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Basic salaries and allowances	321	122
Retirement benefit scheme contributions	7	–
	<u>328</u>	<u>122</u>

The emoluments fell within the following band:

	Number of individuals	
	2009	2008
Nil – HK\$1,000,000	<u>1</u>	<u>4</u>

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

15. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group’s contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK\$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees’ basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

16. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit for the year attributable to equity holders of the Company included a profit of approximately HK\$611,637,000 (2008: loss of approximately HK\$62,095,000) which has been dealt with in the financial statements of the Company.

17. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 30 June 2009 (2008: Nil).

18. EARNINGS/(LOSS) PER SHARE**Basic earnings/(loss) per share**

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company is based on the profit/(loss) for the year attributable to equity holders of the Company of approximately HK\$745,205,000 (2008: loss of approximately HK\$68,621,000) and the weighted average number of ordinary shares of 5,809,104,561 (2008: 217,574,240) in issue during the year.

Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 30 June 2009.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
Cost or valuation					
At 1 July 2007	15,869	23,389	680	234	40,172
Additions	–	20	–	19	39
Written off	–	–	–	(277)	(277)
Exchange differences	1,654	2,441	70	24	4,189
Deficit on revaluation	(2,066)	–	–	–	(2,066)
At 30 June and 1 July 2008	15,457	25,850	750	–	42,057
Additions	–	358	380	–	738
Written off	–	(108)	–	–	(108)
Deconsolidation of subsidiaries	(14,594)	(25,661)	(754)	–	(41,009)
Exchange differences	61	110	4	–	175
At 30 June 2009	924	549	380	–	1,853
Accumulated depreciation					
At 1 July 2007	–	13,264	675	–	13,939
Charge for the year	553	2,278	6	–	2,837
Exchange differences	–	1,382	69	–	1,451
Written back on revaluation	(553)	–	–	–	(553)
At 30 June and 1 July 2008	–	16,924	750	–	17,674
Charge for the year	234	849	10	–	1,093
Written back on revaluation	(234)	–	–	–	(234)
Written back on deconsolidation of subsidiaries	–	(17,720)	(754)	–	(18,474)
Exchange differences	–	72	4	–	76
At 30 June 2009	–	125	10	–	135
Carrying amounts					
At 30 June 2009	924	424	370	–	1,718
At 30 June 2008	15,457	8,926	–	–	24,383

	Buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
The analysis of the cost or valuation at 30 June 2009 of the above assets is as follows:					
At cost	–	549	380	–	929
At valuation	924	–	–	–	924
	<u>924</u>	<u>549</u>	<u>380</u>	<u>–</u>	<u>1,853</u>

The analysis of the cost or valuation at 30 June 2008 of the above assets is as follows:

At cost	–	25,850	750	–	26,600
At valuation	15,457	–	–	–	15,457
	<u>15,457</u>	<u>25,850</u>	<u>750</u>	<u>–</u>	<u>42,057</u>

The carrying amount of the Group's buildings would have been approximately HK\$924,000 (2008: approximately HK\$13,688,000) had they been stated at cost less accumulated depreciation and impairment losses.

The Group's buildings were revalued by the Directors at 30 June 2009 on the open market value basis by reference to market evidence of recent transactions and cost of replacement for similar properties.

	Plant and machinery <i>HK\$'000</i>
THE COMPANY	
Cost	
Additions	337
At 30 June 2009	<u>337</u>
Accumulated depreciation	
Charge for the year	18
At 30 June 2009	<u>18</u>
Carrying amounts	
At 30 June 2009	<u><u>319</u></u>

20. INVESTMENT IN A SUBSIDIARY

	THE COMPANY	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Unlisted investment, at cost	<u>–</u>	<u>–</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries as at 30 June 2009 are shown in note 36 to the consolidated financial statements.

21. PREPAID LEASE PAYMENTS

	THE GROUP	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land in the PRC		
Medium-term lease	–	10,609
	<u>–</u>	<u>10,609</u>
Analysed for reporting purpose as:		
Non-current asset	–	10,368
Current asset	–	241
	<u>–</u>	<u>10,609</u>
	<u>–</u>	<u>10,609</u>

At 30 June 2009, the carrying amount of prepaid lease payments pledged as security for the Group's bank loans was nil (2008: approximately HK\$10,609,000).

22. INVENTORIES

	THE GROUP	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	–	1,022
Finished goods	2,393	4,619
	<u>2,393</u>	<u>5,641</u>
	<u>2,393</u>	<u>5,641</u>

23. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	THE GROUP	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
30 days or less	2,724	5,962
31 to 60 days	921	3,499
61 to 180 days	562	1,124
Over 180 days	17	243
	<u>4,224</u>	<u>10,828</u>
	<u>4,224</u>	<u>10,828</u>

As at 30 June 2009, no allowance was made for the trade receivables (2008: approximately HK\$9,046,000).

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Renminbi	4,224	4,302
Hong Kong Dollars	—	6,526
	<u>4,224</u>	<u>10,828</u>

24. BANK AND CASH BALANCES

As at 30 June 2009, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$521,000 (2008: approximately HK\$1,662,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. BANK LOANS

THE GROUP

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Bank loans	<u>—</u>	<u>674,146</u>
The borrowings are repayable as follows:		
On demand or within one year	<u>—</u>	<u>674,146</u>
	—	674,146
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>—</u>	<u>(674,146)</u>
Amount due for settlement after 12 months	<u>—</u>	<u>—</u>

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

	USD <i>HK\$'000</i>	RMB <i>HK\$'000</i>	Total <i>HK\$'000</i>
Bank loans			
2009	<u>—</u>	<u>—</u>	<u>—</u>
2008	<u>646,524</u>	<u>27,622</u>	<u>674,146</u>

The average interest rates at 30 June 2009 and 2008 were as follows:

	2009	2008
Bank loans	<u>N/A</u>	<u>9%</u>

THE COMPANY

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Bank loans	–	646,524
The borrowings are repayable as follows:		
On demand or within one year	–	646,524
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	(646,524)
Amount due for settlement after 12 months	–	–

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	USD <i>HK\$'000</i>
Bank loans	
2009	–
2008	646,524

The average interest rates at 30 June 2009 and 2008 were as follows:

	2009	2008
Bank loans	N/A	9%

In July 2004, an event of default occurred in respect of a syndicated loan totaling approximately HK\$646,524,000 as at 30 June 2008 and such amount has become repayable on demand. The loan was released on 18 July 2008 under the Scheme, details of which was set out in the 2008 Annual Report. In additions, banks loans of 上海德勝科技集團(安慶)製藥有限公司 (Shanghai Desheng Technology Group (Anqing) Pharmaceutical Company Limited) denominated in RMB totaling approximately HK\$27,622,000 as at 30 June 2008 was deconsolidated from the Group on 19 December 2008. Details of the deconsolidation were set out in notes 2 and 10 to the consolidated financial statements.

26. TRADE PAYABLES

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

	THE GROUP	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
30 days or less	13,157	7,496
31 to 60 days	9,779	2,413
61 to 180 days	1,189	2,707
Over 180 days	768	11,983
	<u>24,893</u>	<u>24,599</u>
	<u><u>24,893</u></u>	<u><u>24,599</u></u>

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

	THE GROUP	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB	5,406	19,170
Hong Kong Dollars	19,487	5,429
	<u>24,893</u>	<u>24,599</u>
	<u><u>24,893</u></u>	<u><u>24,599</u></u>

27. ACCRUALS AND OTHER PAYABLES

	THE GROUP	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals and other payables	3,547	17,003
Due to deconsolidated subsidiaries	–	115,827
Due to related companies	–	5,936
Due to directors of subsidiaries	1,946	1,946
Due to a minority shareholder	922	1,098
	<u>6,415</u>	<u>141,810</u>
	<u><u>6,415</u></u>	<u><u>141,810</u></u>

The amounts due to directors of subsidiaries and a minority shareholder are unsecured, non-interest bearing, and have no fixed repayment terms.

28. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised by the Group.

	Revaluation of buildings <i>HK\$'000</i>
At 1 July 2007	1,637
Credit to equity for the year	(378)
Exchange differences	171
	<hr/>
At 30 June and 1 July 2008	1,430
Charge to equity for the year	58
Exchange differences	7
Deconsolidation of subsidiaries	(1,495)
	<hr/>
At 30 June 2009	<u><u>–</u></u>

At the balance sheet date, the Group has unused tax losses of approximately HK\$11,412,000 (2008: approximately HK\$5,711,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

29. SHARE CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<i>Authorized (Note b):</i>		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
6,082,254,031 ordinary shares of HK\$0.01 each (2008:		
217,574,240 ordinary shares of HK\$0.01 each)	<u>60,823</u>	<u>2,176</u>

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

	Number of shares issued	Share capital HK\$'000
As at 1 July 2007	2,175,742,400	54,394
Reduction of par value from HK\$0.025 to HK\$0.001 (<i>Note a</i>)	—	(52,218)
	2,175,742,400	2,176
Share consolidation of every 10 shares into 1 new share (<i>Note a</i>)	(1,958,168,160)	—
As at 30 June 2008	217,574,240	2,176
Shares issued pursuant to subscription/placing agreements (<i>Note c</i>)	5,864,679,791	58,647
As at 30 June 2009	<u>6,082,254,031</u>	<u>60,823</u>

Notes:

- (a) By virtue of a special resolution and with the sanction of an Order of the Grand Court of the Cayman Islands dated 20 June 2008, the share capital was reduced from an authorised share capital of HK\$100,000,000 and issued share capital of HK\$54,393,560 divided into 4,000,000,000 and 2,175,742,400 shares respectively of HK\$0.025 each to an authorised and issued share capital of HK\$2,175,742 divided into 217,574,240 shares of HK\$0.01 each by ways of the following:
- (i) by reducing the par value of all issued and un-issued shares in the Company from HK\$0.025 to HK\$0.001 each;
 - (ii) by cancelling the entire existing un-issued share capital of the Company of 1,824,257,600 ordinary shares; and
 - (iii) by consolidating every 10 shares of the Company into 1 new share.

The above capital restructuring became effective on 27 June 2008 upon the filing of the court order with the Registrar of Companies of the Cayman Islands.

- (b) By way of a special resolution in the extraordinary general meeting held on 20 June 2008, the Company's authorised share capital was increased from HK\$2,175,742 to HK\$100,000,000 by creation of 9,782,425,760 new shares of HK\$0.01 each, immediately upon the capital reduction, the capital cancellation and share consolidation becoming effective.

- (c) Pursuant to the following subscription/placing agreements which form a part of the group restructuring and were approved by the shareholders of the Company at the extraordinary general meeting held on 20 June 2008, the Company issued a total of 5,864,679,791 shares on 18 July 2008.

Agreements	Subscriber/ Placee	Shares issued	Price per share HK\$	Total amount raised HK\$'000	Share capital HK\$'000	Share premium HK\$'000
Subscription agreement dated 28 December 2007	Best Champion Holdings Limited	4,133,910,560	0.0145	59,942	41,339	18,603
Placing agreement dated 24 January 2008	Partners Capital Securities Limited	576,923,077	0.0520	30,000	5,769	24,231
Subscription agreement dated 9 April 2008	ADM Galleus Fund Limited	1,153,846,154	0.0520	60,000	11,539	48,461
		5,864,679,791		149,942	58,647	91,295

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Notes	Share premium account HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2007		385,249	104,915	(1,141,470)	(651,306)
Loss for the year	16	–	–	(62,095)	(62,095)
Reduction of share capital	29	–	–	52,218	52,218
At 30 June 2008		385,249	104,915	(1,151,347)	(661,183)
At 1 July 2008		385,249	104,915	(1,151,347)	(661,183)
Profit for the year	16	–	–	611,637	611,637
Shares issued pursuant to subscription/placing agreements	29	91,295	–	–	91,295
At 30 June 2009		476,544	104,915	(539,710)	41,749

(c) Nature and purpose of reserves*(i) Share premium account*

Under the Companies Law (2009 Revision) of the Cayman Islands, subject to the Company's memorandum and articles of association, the funds in the share premium account of the Company are distributable to the equity holders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Statutory surplus reserve

Subsidiaries of the Group established in the PRC are required to transfer 10% of their profit after tax (after offsetting prior years losses) calculated in accordance with the PRC accounting regulations to the statutory surplus reserve until the reserve reaches 50% of their respective registered capital, upon which any further appropriation will be at the Directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

(iii) Capital reserve

Capital reserve represents the difference between the nominal value of the share/registered capital of the subsidiaries acquired, pursuant to the reorganisation scheme which rationalising the structure of the Group for the listing of the Company's shares on the Stock Exchange and completed on 26 July 2002, over the nominal value of the share capital of the Company issued in exchange therefore.

(iv) Property revaluation reserve

The property revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 4 to the consolidated financial statements.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

31. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 30 June 2009.

32. CAPITAL COMMITMENTS

The Group and the Company had no significant capital commitment as at 30 June 2009 (2008: nil).

33. LEASE COMMITMENTS

At 30 June 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
– within one year	1,610	312
– In the second to fifth years inclusive	1,014	–
	<u>2,624</u>	<u>312</u>

Operating lease payments represent rentals payable by the Group for certain of its offices and director's quarter. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

34. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2009 HK\$'000	2008 HK\$'000
Management services income received from a holding company	9	–

35. EVENTS AFTER THE BALANCE SHEET DATE

Establishment of franchise agreements

On 14 July 2009, United Gene Health entered into five franchise agreements (the "Franchise Agreement") with five independent distributors namely Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited (the "Distributor") for the period of five years. According to the Franchise Agreement, United Gene Health agrees to appoint each of the Distributor as its distributor for the gene testing services in the PRC and to advance a sum to each of the Distributor in the amount of HK\$6,000,000, HK\$8,000,000, HK\$8,000,000, HK\$10,000,000 and HK\$12,000,000 respectively (the "Loan"), which are non-interest bearing, for the sole purpose of soliciting business opportunities and advertising activities in connection with the Franchise Agreement and for such other marketing and promotion activities as permitted by United Gene Health.

Each of the Distributor has undertaken to United Gene Health that the sales attributable to the distribution of gene testing services in the PRC generated by Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited for each of the five years shall not be less than the specified amounts of HK\$24,000,000, HK\$32,000,000, HK\$32,000,000, HK\$40,000,000 and HK\$48,000,000 respectively (the "Specified Amount").

In the event that the sales generated by the relevant Distributor in any one year equals to or exceeds the relevant Specified Amount, United Gene Health agrees to waive the repayment of 20% of the relevant Loan, otherwise that relevant Distributor shall repay 20% of the relevant Loan to United Gene Health within three business days after the review made by United Gene Health on the sales generated by that relevant Distributor during that year. In the event that the sales generated by the relevant Distributor falls below the relevant Specified Amount for two consecutive years, United Gene Health has the right to terminate the relevant Franchise Agreement and to require the repayment of the Loan not yet waived within three business days after it giving the notice of termination to the relevant Distributor.

36. PARTICULARS OF THE SUBSIDIARIES OF THE GROUP

Name	Place of incorporation/ registration	Issued or paid-up capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			Direct	Indirect	
Lucky Full Holdings Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	Investment holding
First Jumbo Trading Limited	British Virgin Islands	1 ordinary share of US\$1	–	100%	Investment holding
Clear Rich International Limited	British Virgin Islands	1 ordinary share of US\$1	–	100%	Investment holding
山東特利爾醫藥有限公司 (Shandong Telier Pharmaceutical Company Limited) (note a)	PRC	Registered capital of RMB2.1M	–	80%	Distribution of pharmaceutical products
China United Gene Health Limited (Formerly known as Main Wealth Limited)	Hong Kong	1 ordinary share of HK\$1	–	100%	Distribution of gene-testing services
Bestdone Limited	British Virgin Islands	1 ordinary share of US\$1	–	100%	Distribution of gene-testing services
Perfect Allied Holdings Limited	British Virgin Islands	1 ordinary share of US\$1	–	100%	Investment holding
United Gene Health Care Investment Limited	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding
聯合基因(上海)健康管理服務有限公司 (note b) (for identification purpose, United Gene HealthCare Limited, Shanghai)	PRC	Registered capital of HK\$20M	–	100%	Inactive

Notes:

- (a) 山東特利爾醫藥有限公司 (Shandong Telier Pharmaceutical Company Limited) is a sino foreign cooperative joint venture established in the PRC.
- (b) 聯合基因(上海)健康管理服務有限公司 (United Gene HealthCare Limited, Shanghai) is a wholly owned foreign enterprise established in the PRC. Pursuant to an agreement dated 26 May 2009, United Gene Health Care Investment Limited, an indirect wholly-owned subsidiary of the Company, had established a wholly-owned subsidiary named 聯合基因(上海)健康管理服務有限公司 (United Gene HealthCare Limited, Shanghai) (“United Gene HealthCare”) which was registered in the PRC on 23 June 2009 for a period of thirty years. United Gene HealthCare is to be engaged in provision of health care services in the PRC. The total investment cost of the Group in United Gene HealthCare is HK\$20,000,000 which is to be financed in the form of cash by the Group and payable within 2 years from 23 June 2009, the date on which the business registration certificate was issued.

37. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 September 2009.

3. LATEST INTERIM FINANCIAL STATEMENTS

Set out below are the condensed unaudited consolidated interim financial statements of the Group for the six months ended 31 December 2009, together with the accompanying notes relating thereto and the relative comparative figures for the six months ended 31 December 2008 as extracted from the interim report of the Group for the six months ended 31 December 2009.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2009

	Notes	Six months ended 31 December	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Audited)
Turnover	3	294,170	189,166
Cost of sales		(279,071)	(183,510)
Gross profit		15,099	5,656
Other income	4	27	631,406
Selling expenses		(3,475)	(1,913)
Administrative expenses		(6,980)	(21,462)
Profit from operations		4,671	613,687
Gain on deconsolidation of the subsidiaries		–	134,516
Finance cost	6	(182)	(633)
Profit before tax		4,489	747,570
Income tax expense	7	(508)	(776)
Profit for the period	8	3,981	746,794
Other comprehensive income:			
Exchange differences on translating foreign operations		16	(53)
Revaluation surplus on buildings		–	176
Other comprehensive income for the period, net of tax		16	123
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,997	746,917
Profit attributable to:			
Equity holders of the Company		3,957	746,775
Non-controlling interests		24	19
		3,981	746,794
Total comprehensive income attributable to:			
Equity holders of the Company		3,973	746,898
Non-controlling interests		24	19
		3,997	746,917
Earnings per share	10		
Basic and Diluted (HK cents per share)		0.07	13.48

Condensed Consolidated Statement of Financial Position*At 31 December 2009*

	<i>Notes</i>	31 December 2009 <i>HK\$'000</i> (Unaudited)	30 June 2009 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	2,602	1,718
Prepayments, deposits and other receivables	<i>12</i>	84,000	40,000
		<u>86,602</u>	<u>41,718</u>
Current assets			
Inventories	<i>13</i>	335	2,393
Prepayments, deposits and other receivables		7,350	17,839
Trade receivables	<i>14</i>	9,465	4,224
Bank and cash balances		27,012	74,065
		<u>44,162</u>	<u>98,521</u>
Current liabilities			
Trade payables	<i>15</i>	10,686	24,893
Accruals and other payables	<i>16</i>	6,657	6,415
Current tax liabilities		1,496	1,003
		<u>18,839</u>	<u>32,311</u>
Net current assets		<u>25,323</u>	<u>66,210</u>
NET ASSETS		<u><u>111,925</u></u>	<u><u>107,928</u></u>
Capital and reserves			
Share capital	<i>17</i>	60,823	60,823
Reserves		50,536	46,563
Equity attributable to equity holders of the Company		111,359	107,386
Non-controlling interests		566	542
TOTAL EQUITY		<u><u>111,925</u></u>	<u><u>107,928</u></u>

Condensed Consolidated Statement of Changes in Equity*For the six months ended 31 December 2009*

	Attributable to equity holders of the Company								Total
	Share capital	Share premium account	Statutory surplus reserve	Property revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2008	2,176	385,249	998	3,410	(924)	(1,179,885)	(788,976)	506	(788,470)
Total comprehensive income for the period	-	-	-	176	(53)	746,775	746,898	19	746,917
Shares issued on group restructuring	58,647	91,295	-	-	-	-	149,942	-	149,942
Deconsolidation of subsidiaries	-	-	(998)	(3,586)	1,110	4,584	1,110	-	1,110
At 31 December 2008 (audited)	<u>60,823</u>	<u>476,544</u>	<u>-</u>	<u>-</u>	<u>133</u>	<u>(428,526)</u>	<u>108,974</u>	<u>525</u>	<u>109,499</u>
At 1 July 2009	60,823	476,544	-	-	115	(430,096)	107,386	542	107,928
Total comprehensive income for the period	-	-	-	-	16	3,957	3,973	24	3,997
At 31 December 2009 (unaudited)	<u>60,823</u>	<u>476,544</u>	<u>-</u>	<u>-</u>	<u>131</u>	<u>(426,139)</u>	<u>111,359</u>	<u>566</u>	<u>111,925</u>

Condensed Consolidated Statement of Cash Flows*For the six months ended 31 December 2009*

	Six months ended 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Net cash used in operating activities	(45,828)	(79,487)
Net cash used in investing activities	(1,054)	(4,354)
Net cash (used in)/generated from financing activities	<u>(182)</u>	<u>124,713</u>
Net (decrease)/increase in cash and cash equivalents	(47,064)	40,872
Effect of foreign exchange rate changes	11	(78)
Cash and cash equivalents at beginning of period	<u>74,065</u>	<u>1,710</u>
Cash and cash equivalents at end of period	<u><u>27,012</u></u>	<u><u>42,504</u></u>
Analysis of cash and cash equivalents		
Bank and cash balances	<u><u>27,012</u></u>	<u><u>42,504</u></u>

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2009

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the 2009 annual financial statements of the Company. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2009 except as stated below.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 July 2009. HKFRSs comprise HKFRS, HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current and prior periods except as stated below.

(a) Presentation of Financial Statements

HKAS 1 (Revised) “Presentation of Financial Statements” affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. These presentation requirements have been applied retrospectively in these condensed financial statements.

(b) Operating Segments

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The primary segments reported under HKAS 14 “Segment Reporting” are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

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

3. TURNOVER

	Six months ended 31 December	
	2009	2008
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Audited)
Manufacturing and distribution of pharmaceutical products	197,519	168,728
Distribution of gene-testing services	96,651	20,438
	<u>294,170</u>	<u>189,166</u>

4. OTHER INCOME

	Six months ended 31 December	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Audited)
Interest income	6	28
Release of a bank loan and other liabilities pursuant to the Scheme	–	631,378
Sundry income	21	–
	27	631,406
	27	631,406

5. SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and distribution of pharmaceutical products and distribution of gene-testing services. An analysis of the Group's financial performance and position by business segments, namely 'Manufacturing and distribution of pharmaceutical products' and 'Distribution of gene-testing services' is as follows:

	Manufacturing and distribution of pharmaceutical products (note) HK\$'000	Distribution of gene testing services HK\$'000	Total HK\$'000
Six months ended			
31 December 2009 (Unaudited):			
Revenue from external customers	197,519	96,651	294,170
Segment profit after tax	121	7,634	7,755
As at 31 December 2009 (unaudited):			
Segment assets	12,153	97,977	110,130
Six months ended			
31 December 2008 (Audited):			
Revenue from external customers	168,728	20,438	189,166
Segment (loss)/profit after tax	(5,143)	2,511	(2,632)
As at 30 June 2009 (Audited):			
Segment assets	11,530	119,348	130,878
	11,530	119,348	130,878

Note: Since 19 December 2008, the Group's control over 上海德勝科技集團(安慶)製藥有限公司 (Shanghai Desheng Technology Group (Anqing) Pharmaceutical Company Limited) had been lost control due to the operation restructuring of the Group. As such, the Group's financial performance and position of the segment "Manufacturing and distribution of pharmaceutical products" for the six months ended 31 December 2009 was solely arising from the trading of pharmaceutical products carried by 山東特利爾醫藥有限公司 (Shandong Telier Pharmaceutical Company Limited) in the People's Republic of China's Region (the "PRC")

	Six months ended 31 December	
	2009	2008
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Reconciliation of segment profit/(loss):		
Total profit/(loss) of reportable segments	7,755	(2,632)
Corporate and others expenses	(3,795)	(16,473)
Unallocated income:		
Other income	21	631,383
Gain on deconsolidation of the subsidiaries	–	134,516
Consolidated profit for the period	<u>3,981</u>	<u>746,794</u>

The Group's operations are principally located in Hong Kong and the PRC. An analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the goods/services is as follows:

	Revenue		Total assets		Capital expenditure	
	Six months ended		As at		Six months ended	
	31 December	31 December	31 December	30 June	31 December	31 December
	2009	2008	2009	2009	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Hong Kong	6,348	20,438	117,559	128,709	72	25
The PRC	287,822	168,728	13,205	11,530	988	4
	<u>294,170</u>	<u>189,166</u>	<u>130,764</u>	<u>140,239</u>	<u>1,060</u>	<u>29</u>

6. FINANCE COST

	Six months ended 31 December	
	2009	2008
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Interest on bank loans	<u>182</u>	<u>633</u>

7. INCOME TAX EXPENSE

	Six months ended 31 December	
	2009	2008
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Current tax provision for the period		
Hong Kong Profits Tax	466	684
Overseas	42	92
	<u>508</u>	<u>776</u>

Hong Kong Profits Tax is provided at 16.5% (2008: 16.5%) based on the assessable profit for the period.

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

8. PROFIT FOR THE PERIOD

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

	Six months ended 31 December	
	2009 <i>HK\$'000</i> (Unaudited)	2008 <i>HK\$'000</i> (Audited)
Depreciation	179	1,024
Directors' emoluments	658	656
Operating lease charges of land and buildings	954	241
Cost of inventories sold	194,262	166,506
Loss on written-off of property, plant and equipment	–	108
Impairment on an amount due from a subsidiary deconsolidated	–	3,226
Staff costs including directors' emoluments	3,258	1,876
	<u> </u>	<u> </u>

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2009 (2008: HK\$NIL).

10. EARNINGS PER SHARE**Basic earnings per share**

The calculation of basic earnings per share attributable to equity holders of the Company is based on the earnings for the period attributable to equity holders of the Company of approximately HK\$3,957,000 (2008: (audited) approximately HK\$746,775,000) and the weighted average number of ordinary shares of 6,082,254,031 (2008: 5,540,408,616) in issue during the period.

Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the six-months periods ended 31 December 2009 and 31 December 2008.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2009, the Group acquired approximately HK\$1,060,000 (2008: (audited) approximately HK\$29,000) for the additions to property, plant and equipment, which was mainly for the business of provision of health care management services.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2009 <i>HK\$'000</i> (Unaudited)	30 June 2009 <i>HK\$'000</i> (Audited)
	Deposit for entering the distributorship rights (<i>note (a)</i>)	40,000
Loans under the Franchise Agreements (<i>note (b)</i>)	44,000	–
	<u> </u>	<u> </u>
	<u>84,000</u>	<u>40,000</u>

Notes:

- (a) On 2 May 2008, China United Gene Health Limited (“United Gene Health”), a subsidiary of the Group, entered into an exclusive distribution agreement for a period of five years with China United Gene Health Industry Limited (“China United”) to act as the exclusive distributor of gene testing services in Hong Kong. On 12 August 2008, United Gene Health paid a non-interest bearing deposit of HK\$40,000,000 to China United as a guarantee that the annual turnover of United Gene Health would meet the minimum annual sales figures (the “Sales Target”) set out in the exclusive distribution agreement. Pursuant to a letter dated 16 March 2009, China United agreed to grant an additional non-exclusive right to United Gene Health for the distribution of gene testing services in the PRC. On 7 September 2009, China United agreed the Sales Target for the year ended 30 June 2010 to be maintained at the level of HK\$60,000,000. For the six months ended 31 December 2009, United Gene Health has realized the Sales Target.
- (b) On 14 July 2009, United Gene Health entered into five franchise agreements (collectively the “Franchise Agreements” or individually the “Franchise Agreement”) with five independent distributors, namely Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited (collectively the “Distributors”, or individually the “Distributor”) for the period of five years. Under the Franchise Agreements, United Gene Health (i) appointed each Distributor as its distributor for the gene testing services in the PRC; and (ii) advanced a non-interest bearing loan to the five Distributors named above for HK\$6,000,000, HK\$8,000,000, HK\$8,000,000, HK\$10,000,000 and HK\$12,000,000 respectively (the “Loan”, collectively the “Loans”), which are non-interest bearing, for the sole purpose of soliciting business and organizing marketing activities as permitted by United Gene Health. An undertaking has been issued to United Gene Health by Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited that the annual sales attributable to the distribution of gene testing services in the PRC generated by them shall not be less than HK\$24,000,000, HK\$32,000,000, HK\$32,000,000, HK\$40,000,000 and HK\$48,000,000 respectively (the “Specified Amounts”, each as a “Specified Amount”). In the event that the sales generated by the relevant Distributor in any one year is equals to or in excess of the relevant Specified Amount, United Gene Health agrees to waive the repayment of 20% of the relevant Loan; otherwise, the relevant Distributor shall have to repay 20% of the relevant Loan to United Gene Health within three business days after the review is made by United Gene Health, pursuant to the relevant Franchise Agreement. In the event that the sales generated by the relevant Distributor falls below the relevant Specified Amount for two consecutive years, United Gene Health will have the right to terminate the relevant Franchise Agreement and to require the repayment of the relevant Loan outstanding within three business days after giving the notice of termination to the relevant Distributor. For the six months ended 31 December 2009, the Distributors have been generated the Specified Amounts at a total amount approximately HK\$90,303,000. The Group has made the appropriate percentage of 20% of the Loans as the selling expenses recognised in the condensed consolidated statement of comprehensive income for this period and as an accruals in the condensed consolidated statement of financial position as at 31 December 2009.

13. INVENTORIES

	31 December 2009	30 June 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Finished goods	335	2,393

14. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	31 December 2009 <i>HK\$'000</i> (Unaudited)	30 June 2009 <i>HK\$'000</i> (Audited)
30 days or less	6,019	2,724
31 to 60 days	1,789	921
61 to 180 days	1,605	562
Over 180 days	52	17
	<u>9,465</u>	<u>4,224</u>

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

Renminbi ("RMB")	7,042	4,224
Hong Kong Dollars	2,423	–
	<u>9,465</u>	<u>4,224</u>

15. TRADE PAYABLES

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

	31 December 2009 <i>HK\$'000</i> (Unaudited)	30 June 2009 <i>HK\$'000</i> (Audited)
30 days or less	5,158	13,157
31 to 60 days	1,401	9,779
61 to 180 days	2,536	1,189
Over 180 days	1,591	768
	<u>10,686</u>	<u>24,893</u>

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

RMB	7,584	5,406
Hong Kong dollars	3,102	19,487
	<u>10,686</u>	<u>24,893</u>

16. ACCRUALS AND OTHER PAYABLES

	31 December 2009 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Audited)
Accruals and other payables	3,871	3,547
Due to directors of subsidiaries	1,946	1,946
Due to a non-controlling shareholder	840	922
	<u>6,657</u>	<u>6,415</u>

The amounts due to directors of subsidiaries and a non-controlling shareholder are unsecured, non-interest bearing and have no fixed repayment terms.

17. SHARE CAPITAL

	31 December 2009 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Audited)
Authorized:		
50,000,000,000 ordinary shares of HK\$0.01 each (<i>Note</i>)	<u>500,000</u>	<u>100,000</u>
Issued and fully paid:		
6,082,254,031 ordinary shares of HK\$0.01 each	<u>60,823</u>	<u>60,823</u>

Note: The Company's authorized share capital was increased from HK\$100,000,000 to HK\$500,000,000 by creation of 40,000,000,000 new shares of HK\$0.01 each, immediately upon approval by the shareholders through the way of a special resolution in the annual general meeting held on 6 November 2009.

18. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 31 December 2009.

19. LEASE COMMITMENTS

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2009 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Audited)
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
– within one year	2,643	1,610
– In the second to fifth years inclusive	<u>560</u>	<u>1,014</u>
	<u>3,203</u>	<u>2,624</u>

Operating lease payments represent rentals payable by the Group for certain of its offices and directors' quarters. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

20. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Management services income received from a holding company	22	–
	<u>22</u>	<u>–</u>

21. EVENTS AFTER THE REPORTING PERIOD**(a) Formation of Joint Venture Company**

On 15 February 2010, the Group entered into a joint venture agreement with an independent third party to jointly establish 上海途舒館健康管理服務有限公司 (Shanghai Tushuguan HealthCare Company Limited) in Shanghai (“SH HealthCare Joint Venture”) which is a limited liability company with a registered capital of RMB22.5 million. The Group has committed to contribute a total of RMB4.5 million, representing 20% interest in the SH HealthCare Joint Venture. The scope of proposed business of SH HealthCare Joint Venture includes health care management service, health care consultancy, health care apparatus wholesale and provision of ancillary services.

(b) Proposed Rights Issue

On 19 March 2010, the Company announced to its shareholders a proposed right issue on the basis of one rights share for every existing share in issue, which would result in the issue of 6,082,254,031 new ordinary shares with par value of HK\$0.01 each, at the subscription price of HK\$0.052 per rights share. Best Champion Holdings Limited (“Best Champion”), the controlling shareholder of the Company, and Grand Investment (Securities) Limited, both acting as underwriters, entered into an underwriting agreement with the Company on even date to fully underwrite the proposed rights shares. The proposed rights issue, if completed, will raise net funds of approximately HK\$310.08 million, which is expected to be applied as to approximately 90% for future business development including but not limited to investing in the 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 as to approximately 10% for general working capital purposes of the Group.

The proposed rights issue is conditional on, among other matters, the approval by the independent shareholders at the extraordinary general meeting (the “EGM”) to be expected held on 27 April 2010. Under the Listing Rules, Best Champion, the substantial shareholders and their respective associates of the Company shall abstain from voting in favour of the resolution(s) approving the proposed rights issue in the EGM.

Details of the proposed rights issue are set out in the Company’s announcement dated 19 March 2010.

22. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of Directors on 30 March 2010.

4. STATEMENT OF INDEBTEDNESS

At the close of business on 31 March 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or material contingent liabilities.

5. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, taking into account the Group's internal resources and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its business requirements, that is for at least the next twelve months from the date of this Prospectus in the absence of unforeseen circumstances.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there have been no material adverse change in the financial or trading position of the Group subsequent to 30 June 2009, being the date to which the latest published audited financial statements of the Group were made up, and up to and including the Latest Practicable Date.

7. MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 30 June 2009

Group Results

Turnover of the Group for the year ended 30 June 2009 (this "Financial Year") amounted to approximately HK\$374.4 million, representing a 18.11% increase from the year ended 30 June 2008 (approximately HK\$317 million). The increase was mainly contributed by the distribution of gene testing services which commenced business in May 2008 and contributed about HK\$46.9 million to the Group's turnover for this Financial Year. Net profit attributable to the equity holders of the Company for this Financial Year was approximately HK\$745.2 million, compared to a loss of approximately HK\$68.6 million in the previous year. The profit was mainly due to the recognition of the gain of approximately HK\$631.4 million upon the release of a bank loan and other liabilities pursuant to a scheme of arrangement (the "Scheme") which became effective on 18 July 2008 and the gain of approximately HK\$134.5 million upon the deconsolidation of the Group's subsidiaries.

Restructuring and General Offer

Following the great efforts contributed by Messrs. Lai Kar Yan Derek and Darach E. Haughey, both of Deloitte Touche Tohmatsu (appointed by the Honourable Madam Justice Kwan as joint and several provisional liquidators of the Company on 22 September 2004), Best Champion Holdings Limited (“Best Champion”) and the respective advisors, the conditions imposed by the Listing Division of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the resumption of trading in the Company’s shares were successfully fulfilled on 9 July 2008. The appointments of Ms. Choi Suk Ching as an executive director of the Company (the “Executive Director”) and Dr. Leung Wai Cheung as an independent non-executive director of the Company (the “Independent Non-Executive Director”), became effective from the same date. The winding up petition against the Company was dismissed and the provisional liquidators of the Company were discharged on 11 July 2008 pursuant to a court order dated 8 July 2008.

After the completion of the restructuring of the Company, trading of the shares of the Company (the “Shares”) on the Stock Exchange was resumed on 18 July 2008.

After resumption of trading in the Shares and the exercise of put option by ADM Galleus Fund Limited (“ADM”), Best Champion held 4,561,516,714 Shares, representing approximately 75% of the Shares in issue. Best Champion was wholly owned by Merit Faith International Limited (“Merit Faith”), which was in turn wholly owned by Start Grand Holdings Limited (“Start Grand”), and Start Grand was wholly owned by Mr. Han Xianfu.

On 16 September 2008, pursuant to a deed of settlement entered into by Richlong Group Limited (“Richlong”), Merit Faith and Start Grand (the “Deed of Settlement”), Merit Faith transferred the entire shares of Best Champion to Richlong for the final settlement in full of an indebtedness in the amount of HK\$133,550,684.93. Richlong was owned as to approximately 33.33% by Access Lead Limited (“Access Lead”) and as to approximately 66.67% by Glorious King Limited (“Glorious King”). Access Lead was beneficially owned as to 55% by Mr. Tai Kai Hing, the then Executive Director, as to 25% by Mr. Tai Kai Sun, and 20% by Ms. Tai Shun Hing, both siblings of Mr. Tai Kai Hing. Glorious King was wholly and beneficially owned by Dr. Mao Yumin.

In accordance with Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, Richlong, which then held 4,561,516,714 Shares, representing approximately 75% of the Shares in issue through Best Champion, was required to make an unconditional cash offer to acquire all the issued Shares (other than those already owned by Richlong, its ultimate beneficial owners and parties acting in concert with any of them) (the “Offer”). The price for each Share under the Offer was HK\$0.03. A circular in relation to the terms of the Offer was issued by the Company and Richlong on 17 October 2008. The Offer commenced on the same date and closed on 7 November 2008. Richlong received valid acceptances of 425,563 Shares, representing approximately 0.007% of the issued Shares,

which in aggregate became interested in 75.004% of the Shares. A placing agreement was entered on 14 October 2008 (the “Placing Agreement”) between Richlong and Goldridge Securities Limited to procure purchasers to maintain the necessary 25% public float for the Company. After the completion of the Placing Agreement, Richlong and its parties acting in concert with any of them were interested in 4,561,682,277 Shares, representing approximately 75% of the Shares in compliance with Rule 8.08 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

On 22 December 2008, Access Lead sold its entire shares in Richlong to Glorious King which then indirectly held 75% of the Shares.

Upon the completion of the restructuring of the Company, the financial position of the Group has been substantially improved as approximately HK\$150 million (of which HK\$25 million was transferred to the scheme administrators of the scheme of arrangement) has been raised through the share subscription by Best Champion and ADM, the placing of the new shares with Partners Capital Securities Limited and all the liabilities of the Company incurred on or before 27 June 2008, have been discharged through the scheme of arrangement. The Group have used this funding mainly for the working capital of distribution of gene testing services and establishment of a subsidiary in the People’s Republic of China (the “PRC”) for the provision of health care management services.

It is the intention of Best Champion, a substantial shareholder of the Company, that the Group will continue with its existing principal activities, which include the distribution of pharmaceutical products, health supplements in the PRC, as well as the distribution of gene testing services.

Business Review

Distribution of Gene Testing Services

The Group has sought to diversify its business to high-end health related services. Our subsidiary, China United Gene Health Limited (formerly known as Main Wealth Limited) (“United Gene Health”), entered into an exclusive distribution agreement with China United Gene Health Industry Limited (“China United”) on 2 May 2008, pursuant to which United Gene Health has been granted the exclusive right to distribute the gene testing services in Hong Kong. The sole provider of the gene testing services to China United and the grantor of the exclusive worldwide distributorship right to China United is 上海博仲生物技術有限公司 (Shanghai Bozhong Biotechnology Company Limited), a company incorporated in the PRC, which is indirectly wholly-owned by Dr. Mao Yumin, the substantial shareholder of the Company. On 12 August 2008, United Gene Health paid a non-interest bearing deposit of HK\$40 million to China United as a guarantee that the annual turnover of United Gene Health would meet the minimum annual sales figures (the “Sales Target”) set out in the exclusive distribution agreement. On 22 January 2009, a letter was issued by China United which depicted that the Sales Target of

HK\$120,000,000 for the first term was adjusted to HK\$60,000,000. Pursuant to a letter dated 16 March 2009, China United agreed to grant an additional non-exclusive right to United Gene Health for the distribution of gene testing services in the PRC. On 3 September 2009, United Gene Health and China United mutually agreed that the adjusted Sales Target of HK\$60,000,000 for the first term had been met. China United further agreed to set the Sales Target as HK\$60,000,000 for the forthcoming year.

On 20 August 2008, our subsidiary, Bestdone Limited (“Bestdone”) entered into an exclusive distribution agreement with China United, pursuant to which Bestdone was granted the exclusive right to distribute the gene testing services in Asia Pacific region. On 14 January 2009, as China United changed its sales strategy, Bestdone and China United mutually agreed that the exclusive distribution agreement be terminated with immediate effect and the HK\$30 million non-interest bearing deposit, which was paid by Bestdone to China United as a guarantee of annual sales targets on 3 September 2008, was repaid to Bestdone on the same date.

On 14 July 2009, United Gene Health entered into five franchise agreements (the “Franchise Agreement”) with five independent distributors namely Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited (the “Distributor”) for the period of five years. According to the Franchise Agreement, United Gene Health agrees to appoint each of the Distributor as its distributor for the gene testing services in the PRC and to advance a sum to each of the Distributor in the amounts of HK\$6,000,000, HK\$8,000,000, HK\$8,000,000, HK\$10,000,000 and HK\$12,000,000 respectively (the “Loan”), which are non-interest bearing, for the sole purpose of soliciting business opportunities and advertising activities in connection with the Franchise Agreement and for such other marketing and promotion activities as permitted by United Gene Health. Each of the Distributor has undertaken to United Gene Health that the sales attributable to the distribution of gene testing services in the PRC generated by Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited for each of the five years shall not be less than the specified amounts of HK\$24,000,000, HK\$32,000,000, HK\$32,000,000, HK\$40,000,000 and HK\$48,000,000 respectively (the “Specified Amount”). In the event that the sales generated by the relevant Distributor in any one year equals to or exceeds the relevant Specified Amount, United Gene Health agrees to waive the repayment of 20% of the relevant Loan, otherwise that relevant Distributor shall repay 20% of the relevant Loan to United Gene Health within three business days after the review made by United Gene Health on the sales generated by that relevant Distributor during that year. In the event that the sales generated by the relevant Distributor falls below the relevant Specified Amount for two consecutive years, United Gene Health has the right to terminate the relevant Franchise Agreement and to require the repayment of the Loan not yet waived within three business days after it giving the notice of termination to the relevant Distributor.

During this Financial Year, turnover of distribution of gene testing services was approximately HK\$46.9 million compared to approximately HK\$6.5 million in the corresponding year, an increase of 621.54% was mainly due to enlarged distribution region. On the other hand, the gross profit margin decreased from approximately 16.80% in 2008 to approximately 13.93% in this Financial Year due to providing more competitive and favourable terms to the distributors in the PRC.

山東特利爾醫藥有限公司 (Shandong Telier Pharmaceutical Company Limited) Co-operative Joint Venture (the “CJV”) for sales of pharmaceutical products

During this Financial Year, sales of pharmaceutical products via the CJV was approximately HK\$323.9 million compared to approximately HK\$282.6 million in the corresponding year, representing an increase of 14.61%. On the other hand, the gross profit margin improved from approximately 1.46% in 2008 to approximately 1.71% in this Financial Year due to the increasing awareness of health care and increasing income level of people in the PRC.

Desheng Anqing

In order to focus on the Group’s efforts in the restructuring of the operation of 上海德勝科技集團(安慶)製藥有限公司 (Shanghai Desheng Technology Group (Anqing) Pharmaceutical Company Limited) (“Desheng Anqing”), the Group suspended the business operation of Desheng Anqing since 1 August 2008 and passed a special resolution to wind up voluntarily the immediate holding company of Desheng Anqing, Hong Kin Holdings Limited (“Hong Kin”), on 19 December 2008. In this Financial Year, the turnover of Desheng Anqing was approximately HK\$3.7 million and it incurred a gross loss of approximately of HK\$0.5 million. The Group recorded a gain of approximately HK\$20.7 million upon deconsolidation of Hong Kin.

Outlook

Distribution of Gene Testing Services

The management believes that the distribution of gene testing services is a strong and developing market due to the increasing awareness of health care for individuals and their family members, along with the increasing national income in the PRC. With the exclusive and non-exclusive distribution rights for distribution of gene testing services in Hong Kong and the PRC respectively, and Franchise Agreement which set substantial sales target for each of the forthcoming five years, the Group will continue to capture more market shares and business partners by soliciting the existing distributors of gene testing services, and achieve increasing profitability in the forthcoming years.

Provision of Health Care Management Services

On 23 June 2009, the Group established an indirect wholly-owned subsidiary, 聯合基因(上海)健康管理服務有限公司 (for identification purpose, United Gene HealthCare Limited, Shanghai), (“United Gene HealthCare”) in Shanghai, the PRC, being a limited liability company with a registered capital of HK\$20 million. The scope of business of United Gene HealthCare includes health care management service, health care consultancy, investment advisory, health care apparatus wholesale, commission agency, and provision of ancillary services.

United Gene HealthCare intends to establish the investments in the PRC through the health care centers in Shanghai, Beijing and Guangzhou etc. The health care centers will provide health care management services including gene testing and health care services, health check services, rehabilitation services, psychology consultancy and therapy services, infirmary and nutrition services, health fitness and exercise services, traditional Chinese medicine and other ancillary services.

The CJV

On 18 September 2009, the CJV and Laolaishou Biotech Company Limited (濟南老來壽生物科技有限公司) (“Laolaishou”) mutually agreed, by commercial reason, to enter into the termination agreement for the exclusive distribution agreement for the products of Laolaishou in the PRC, with immediate effect. The termination of this exclusive distribution agreement will not have any material financial impact on the Group’s operations or financial position.

Financial Review*Liquidity and financial resources*

As at 30 June 2009, the Group had bank and cash balances of approximately HK\$74.1 million (30 June 2008: approximately HK\$1.7 million). The Loan of Franchise Agreement totaling of HK\$44 million had been paid from the internal resources of the Group on 22 July 2009.

The ratio of current assets to current liabilities of the Group was 3.05 as at 30 June 2009 compared to 0.02 as at 30 June 2008. The Group’s gearing ratio as at 30 June 2009 was 4.34 (30 June 2008: 0.06) which is calculated based on the Group’s total assets of approximately HK\$140.2 million (30 June 2008: approximately HK\$53.5 million) and the Group’s total liabilities of approximately HK\$32.3 million (30 June 2008: approximately 842.0 million). The Group’s liquidity position has been substantially improved as all the liabilities of the Company incurred on or before 27 June 2008 were compromised and discharged through the Scheme which became effective from 18 July 2008, and the Company raised new capital through the share subscription by Best Champion and ADM, and the placing of the new shares with Partners Capital Securities Limited, details of which are set out in notes 25 and 29 to the consolidated financial statements respectively.

Significant investment

As at 30 June 2009, the Company did not have any significant investment.

Charges on the Group's assets

As at 30 June 2009, the Group did not have any charges on its assets.

As at 30 June 2008, bank loans of approximately HK\$27.6 million were secured by charges over the Group's certain fixed assets and prepaid lease payments totaling approximately HK\$26.1 million.

Contingent liabilities

The directors of the Company (the "Directors") are not aware of any significant contingent liabilities of the Group as at 30 June 2009.

*Commitments**Capital Commitments*

The Group and the Company had no significant capital commitment as at 30 June 2009 (2008: nil).

Lease Commitments

At 30 June 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
– within one year	1,610	312
– in the second to fifth year inclusive	1,014	–
	<u>2,624</u>	<u>312</u>

Operating lease payments represent rentals payable by the Group for certain of its offices and director's quarter. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

Foreign Exchange Exposure

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

Number and Remuneration of Employees

As at 30 June 2009, the Group had approximately 184 (30 June 2008: approximately 171) full-time employees, most of which were working in the subsidiaries in the PRC. It is the Group's policy that remuneration of the employees is in line with market and commensurable with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement schemes, training programmes and education subsidies.

Total staff costs including the directors' remuneration for this Financial Year amounted to approximately HK\$5.04 million (2008: approximately HK\$3 million).

For the six months period ended 31 December 2009*Group Results*

Turnover of the Group for the six months ended 31 December 2009 (the "Interim Period") amounted to approximately HK\$294.2 million, representing approximately 55.50% increase from the six months ended 31 December 2008 (approximately HK\$189.2 million). The increase in the turnover of approximately HK\$105 million for the Interim Period was mainly contributed by the distribution of the gene testing services that commenced in the People's Republic of China's Region ("the PRC") in May 2009. Total comprehensive income attributable to the equity holders of the Company for the Interim Period was approximately of HK\$3.97 million, compared to that of approximately HK\$746.9 million in the corresponding period of the previous year. This was influenced by the release of a bank loan and other liabilities which amounted to approximately HK\$631.4 million pursuant to a scheme of arrangement which became effective on 18 July 2008 (the "Scheme") and by gain on deconsolidation of the subsidiaries which amounted to approximately HK\$134.5 million.

*Business Review**Distribution of Gene Testing Services*

The Group continued to diversify within the region and expand the market share of its gene testing services business. Its subsidiary, China United Gene Health Limited (“United Gene Health”), entered into five franchise agreements (collectively the “Franchise Agreements” or individually the “Franchise Agreement”) with five independent distributors, namely Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited (collectively the “Distributors” or individually the “Distributor”) for the period of five years on 14 July 2009. Under the Franchise Agreements, United Gene Health (i) appointed each Distributor as its distributor for the gene testing services in the PRC; and (ii) advanced a non-interest bearing loan to the five Distributors named above for HK\$6,000,000, HK\$8,000,000, HK\$8,000,000, HK\$10,000,000 and HK\$12,000,000 respectively (the “Loan”, collectively the “Loans”), for the sole purpose of soliciting business and organizing marketing activities as permitted by United Gene Health. An undertaking has been issued to United Gene Health by Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited that the annual sales attributable to the distribution of gene testing services in the PRC generated by them shall not be less than HK\$24,000,000, HK\$32,000,000, HK\$32,000,000, HK\$40,000,000 and HK\$48,000,000 respectively (the “Specified Amounts”, each as a “Specified Amount”). In the event that the sales generated by the relevant Distributor in any one year is equal to or in excess of the relevant Specified Amount, United Gene Health agrees to waive the repayment of 20% of the relevant Loan; otherwise, the relevant Distributor shall have to repay 20% of the relevant Loan to United Gene Health within three business days after the review is made by United Gene Health, pursuant to the relevant Franchise Agreement. In the event that the sales generated by the relevant Distributor falls below the relevant Specified Amount for two consecutive years, United Gene Health will have the right to terminate the relevant Franchise Agreement and to require the repayment of the relevant Loan outstanding within three business days after giving the notice of termination to the relevant Distributor.

During the Interim Period, turnover of distribution of gene testing services was approximately HK\$96.7 million (approximately HK\$20.4 million in the prior period). This substantial increase of approximately 374.02% was mainly due to the enlarged distribution coverage in the PRC since May 2009 which contributed approximately HK\$90.3 million to the turnover during the Interim Period. However, the gross profit margin decreased from approximately 16.80% in the prior period to approximately 12.25% in the Interim Period due to the introduction of more favourable incentives to the distributors in the PRC.

Co-operative Joint Venture 山東特利爾醫藥有限公司 (Shandong Telier Pharmaceutical Company Limited) (the “CJV”) for sales of pharmaceutical products

On 18 September 2009, CJV mutually agreed with Laolaishou Biotech Company Limited 濟南老來壽生物科技有限公司 (“Laolaishou”) that, for commercial reasons, to enter into the termination agreement for the exclusive distribution agreement for the products of Laolaishou in the PRC, with immediate effect. The termination of this agreement will not have any material financial impact on the Group’s operations or financial position.

During the Interim Period, sales of pharmaceutical products of the CJV was approximately HK\$197.5 million as compared to approximately HK\$165 million in the prior period, representing an increase of approximately 19.70%, whilst the gross profit margin remained at approximately 1.65% in the Interim Period.

Financial Review

Liquidity and financial resources

As at 31 December 2009, the Group had bank and cash balances of approximately HK\$27 million (30 June 2009: approximately HK\$74.1 million).

The ratio of current assets to current liabilities of the Group was 2.34 as at 31 December 2009 compared to 3.05 as at 30 June 2009. The Group’s gearing ratio as at 31 December 2009 was 0.14 (30 June 2009: 0.23) which is calculated based on the Group’s total liabilities of approximately HK\$18.8 million (30 June 2009: approximately HK\$32.3 million) and the Group’s total assets of approximately HK\$130.8 million (30 June 2009: approximately HK\$140.2 million).

Significant investment

The Group had no significant investment, nor has it made any material acquisition or disposal of Group’s companies or associated corporations during the Interim Period (30 June 2009: nil).

The details of future plans for materials investments and their expected sources of funding in the coming year is stated in the paragraph headed “Provision of Health Care Management Services” of the section headed “FINANCIAL AND TRADING PROSPECTS OF THE GROUP” in this Appendix.

Charges on the Group’s assets

As at 31 December 2009, the Group did not have any charges on its assets (30 June 2009: nil).

Contingent liabilities

The directors of the Company (the “Directors”) are not aware of any significant contingent liabilities of the Group as at 31 December 2009.

Lease Commitments

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2009	30 June 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
– within one year	2,643	1,610
– In the second to fifth years inclusive	560	1,014
	<u>3,203</u>	<u>2,624</u>

Operating lease payments represent rentals payable by the Group for certain of its offices and directors’ quarters. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

Foreign Exchange Exposure

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

Number and Remuneration of Employees

As at 31 December 2009, the Group had approximately 160 (30 June 2009: approximately 184) full-time employees, most of whom were working in the subsidiaries in the PRC. It is the Group’s policy that remuneration of the employees is in line with the market and commensurable with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement schemes, training programmes and education subsidies.

Total staff costs including the directors’ remuneration for the Interim Period amounted to approximately HK\$3.3 million (2008: approximately HK\$1.9 million).

8. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Distribution of Gene Testing Services

The management believes that the distribution of gene testing services has a strong potential due to increasing awareness of health care by individuals and their families, and the increasing national income in the PRC. With the exclusive distribution rights in Hong Kong and non-exclusive distribution rights in the PRC for the gene testing services, together with the Franchise Agreements which set substantial sales target for each of the forthcoming five years, the Group will be able to (i) retain the existing distributors and attract other potential distributors of gene testing services; (ii) secure more competitive pricing to capture a larger market share; and (iii) add more business partners in different regions of the PRC, thus achieve increasing profitability in the forthcoming years.

Provision of Health Care Management Services

On 23 June 2009, the Group established an indirect wholly-owned subsidiary, 聯合基因(上海)健康管理服務有限公司 (for identification purpose, United Gene HealthCare Limited, Shanghai), ("United Gene HealthCare") in Shanghai as a limited liability company with a registered capital of HK\$20 million, of which HK\$4 million has been injected as at 31 December 2009 and would be applied towards the start-up and development costs for the business of the health care center. The scope of business of United Gene HealthCare includes health care management service, health care consultancy, health care apparatus wholesale and provision of ancillary services.

On 20 November 2009, United Gene HealthCare established in Guangzhou the first health care centre to provide gene testing and health care services, health check services, rehabilitation services, psychology consultancy and therapy services, infirmary and nutrition services, health fitness and exercise services, traditional Chinese medical services and other ancillary services. For the period ended 31 December 2009, United Gene HealthCare had not yet generated any income because it was still in the development and coordination stage of setting up the provision of health care management services.

On 15 February 2010, United Gene HealthCare entered into a joint venture agreement with an independent third party to jointly establish 上海途舒館健康管理服務有限公司 (Shanghai Tushuguan HealthCare Company Limited) in Shanghai ("SH HealthCare Joint Venture"), which is a limited liability company with a registered capital of RMB22.5 million. United Gene HealthCare has committed to contribute a total of RMB4.5 million representing 20% interest in the SH HealthCare Joint Venture. The scope of proposed business of SH HealthCare Joint Venture includes health care management service, health care consultancy, health care apparatus wholesale and provision of ancillary services.

United Gene HealthCare intends to set up strategically joint ventures in the PRC with other health care centers in Guangzhou, Shanghai, Beijing and other regions. These development will be funded by the proceeds from the proposed Rights Issue.

Co-operative Joint Venture 山東特利爾醫藥有限公司 (Shandong Telier Pharmaceutical Company Limited), (the “CJV”) for sales of pharmaceutical products

In October 2009, one member of the top management of the CJV fell seriously ill and had to be admitted to hospital where he is still being treated. Since then the Group has been looking for a suitable replacement. Turnover of the CJV has been affected and it has dropped significantly.

In view of the subdued financial performance and management succession problem, the Group has been discussing with the joint venture partner to try to restructure the business of the CJV. The Board is of the view that the current situation of the CJV would not have any material financial impact on the Group or its financial results.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity owners of the Company which has been prepared for the purpose of illustrating the effect of the Rights Issue as if it had been taken place on 31 December 2009 which is based on the unaudited consolidated net tangible assets of the Group as at 31 December 2009 and adjusted as follows:

Unaudited consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 31 December 2009 HK\$'000 (Note a)	Estimated net proceeds from the Rights Issue HK\$'000 (Note b)	Unaudited pro forma adjusted net tangible assets HK\$'000	Unaudited consolidated net tangible assets per Share before Rights Issue HK\$	Unaudited pro forma adjusted consolidated net tangible assets per Share after Rights Issue HK\$ (Note c)
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Based on the

Subscription Price of
HK\$0.052 per Rights
Share

<u>111,359</u>	<u>310,080</u>	<u>421,439</u>	<u>0.018</u>	<u>0.035</u>
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The Statement is prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the actual financial position of the Group after the completion of the Rights Issue.

Notes:

- (a) The unaudited consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 31 December 2009 is extracted from the Condensed Consolidated Statement of Financial Position as contained in the Interim Report 2010 of the Group.
- (b) The estimated net proceeds from the Rights Issue are based on the Subscription Price of HK\$0.052 per Share, after deduction of the underwriting commission and other related expenses payable by the Company.
- (c) The unaudited pro forma adjusted consolidated net tangible assets per Share after Rights Issue is arrived based on a total of 12,164,508,062 Shares, which represents 6,082,254,031 Shares in issue as at 31 December 2009 and adjusted for 6,082,254,031 Rights Shares expected to be issued immediately after the completion of the Rights Issue.



安達會計師事務所

ANDA CERTIFIED PUBLIC ACCOUNTANTS

29 April 2010

The Board of Directors
United Gene High-Tech Group Limited
Rooms No. 1405-1406, Harbour Centre
No. 25 Harbour Road, Wanchai
Hong Kong

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets (the “Statement”) of United Gene High-Tech Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue might have affected the consolidated net tangible assets of the Group as if the Rights Issue had been taken place at 31 December 2009, for inclusion in Appendix II to the prospectus of the Company dated 29 April 2010 (the “Prospectus”). The basis of preparation of the Statement is set out on page II-1 to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Statement with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Statement has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Statement is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2009 or at any future date.

Opinion

In our opinion:

- (a) the Statement has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ANDA Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 May, 2000 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, and to any special rights conferred on the holders of any shares or attaching to any class of shares, shares may be issued on the terms that they may be, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such manner, including out of capital, as the board may deem fit.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company (whether forming part of the original or any increased capital) shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

Notwithstanding any other provisions in the Articles, at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one-third) will retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Company at the general meeting at which a Director retires may fill the vacated office. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to ascertain the

number of directors to retire by rotation) any Directors who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company and any Director appointed as an additional Director shall hold office only until the next following annual general meeting of the Company. Any Director so appointed shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the board whereupon the board resolves to accept such resignation;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may from time to time by special resolution, subject to any confirmation or consent required by the Companies Law, reduce its share capital or any capital redemption reserve or other undistributable reserve in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law and without prejudice to the share rights provisions in the Articles, all or any of the special rights attached to the shares or any class of shares may, unless otherwise provided for by the terms of issue of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate

general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons present in person or (in the case of a member being a corporation) by its duly authorized representative or by proxy holding or representing not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting of such holders, two holders present in person or (in the case of a member being a corporation) its duly authorized representative or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution – majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided by way of a poll. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

If a clearing house (or its nominee), being a corporation, is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that the authorization shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorized shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee).

All questions submitted to a meeting shall be decided by a simple majority of votes except where a greater majority is required by the Articles or by the Companies Law. In the case of an equality of votes, the chairman of such meeting shall be entitled to a second or casting vote in addition to any other vote he may have. In case of any dispute as to the admission or rejection of any vote, the chairman shall determine the same, and such determination shall be final and conclusive.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of the Company's incorporation (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of incorporation, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and

laid before the Company at the annual general meeting held in accordance with the Articles provided that the foregoing shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days but if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

The notice must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a member and to each of the directors and the auditors for the time being of the Company.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors and other documents required to be annexed to the balance sheet;
- (cc) the election of directors whether by rotation or otherwise in place of those retiring;
- (dd) the appointment of auditors (where special notice of the intention for such appointment is not required by the Companies Law) and other officers;
- (ee) the fixing of the remuneration of the auditors, and the voting of remuneration or extra remuneration to the Directors; and
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in any newspapers or by any other means in accordance with or permitted by the requirements of any Designated Stock Exchange (as defined in the Articles) to that effect be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the board may determine.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles) and the Companies Law.

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Except as allowed by the Companies Law and subject further to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other regulatory authority, the Company shall not give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of

the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise. Votes may be given either personally or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, if appropriate, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office

(as defined in the Articles). The register of members, including any overseas or local or other branch register of members may, after notice has been given by advertisement in newspapers in accordance with the requirements of the Designated Stock Exchange (as defined in the Articles) or by any electronic means in such manner as may be accepted by the Designated Stock Exchange (as defined in the Articles) to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the board may determine and either generally or in respect of any class of shares.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be

distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 25 July, 2000.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by either an order of the Court or by a special resolution of its members; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty one (21) days before the final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman company law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Any person wishing to have a detailed summary of Cayman company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice. Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix IV.

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that, to the best of their knowledge, opinions expressed in this Prospectus have been arrived at after due and careful consideration and there are no other facts not contained in this Prospectus the omission of which would make any statement herein misleading.

2. SHARE CAPITAL**(a) Share Capital**

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Rights Issue (assuming the Rights Issue becoming unconditional and all Rights Shares are subscribed for by the Qualifying Shareholders) were or will be as follows:

<i>Authorised:</i>	<i>HK\$</i>
50,000,000,000 Shares	500,000,000.00
<i>Issued and to be issued as fully paid:</i>	
6,082,254,031 Shares	60,822,540.31
6,082,254,031 Rights Shares to be issued pursuant to the Rights Issue	60,822,540.31
<u>12,164,508,062</u>	<u>121,645,080.62</u>

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares, the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchanges.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had any interest or short position 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) (a) 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 (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Persons who have interests or short positions in the Shares or underlying Shares which is discloseable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed below, as at the Latest Practicable Date, no person (not being 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.

Long positions in the Shares

Name of shareholder	Capacity	Number of shares/ underlying shares held	Percentage of the issued share capital of the Company
Dr. Mao Yumin	Interest of a controlled corporation	3,500,006,154	57.54%
United Gene Holdings Limited	Interest of a controlled corporation	3,500,006,154	57.54%
Best Champion Holdings Limited	Beneficial owner	3,500,006,154	57.54%

4. DIRECTORS' SERVICE CONTRACTS

The executive Directors, Mr. Qin Yilong, Mr. Shen Xiaodong and Mr. Jiang Jian, were entered into service agreements 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. Under the terms of the service agreements, each of the above three executive Directors are entitled to a director's remuneration (including a director's fee) of HK\$30,000 per month and a discretionary year end payment.

There is no service contract entered into between the Company and the independent non-executive Directors, Dr. Zhang Huming, Dr. Zhu Lijun and Ms. Chen Weijun, and their appointment is not appointed for a specific term. Their appointment is subject to retirement by rotation at least once every three years in accordance with the provisions of the Articles of Association. As at the date of appointment of their independent non-executive Directors, Dr. Zhang Huming, Dr. Zhu Lijun and Ms. Chen Weijun, are entitled to receive an annual director's fee of HK\$40,000, HK\$40,000 and HK\$60,000 respectively.

There has been no increase in the remuneration of any director of the Company in the six months prior to the date of this Prospectus.

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).

5. EXPERTS AND CONSENTS

The following is the qualification of the experts who have been named in this Prospectus or have given opinions, letters or advice contained in this Prospectus:

Name	Qualification
ANDA Certified Public Accountants ("ANDA")	Certified public accountants
Conyers Dill and Pearman ("Conyers")	Legal advisers on Cayman law

Each of ANDA and Conyers has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, each of ANDA and Conyers was not beneficially interested in the Shares or any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Group. None of ANDA and Conyers had any interest, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to the Company or any member of the Group since 30 June 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim which is in the opinion of the Directors of material importance and no litigation or claim which is in the opinion of the Directors of material importance to be pending or threatened by or against any member of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, as at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules if the Directors were controlling Shareholders.

8. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, the Directors confirm that there was no contract or arrangement subsisting in which a Director was materially interested which was significant in relation to the business of the Group.

9. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 30 June 2009, being the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group after the date falling two years prior to the Latest Practicable Date and are or may be material:

- (a) the Underwriting Agreement; and
- (b) the joint venture agreement entered into between the indirect wholly-owned subsidiary of the Company, 聯合基因(上海)健康管理服務有限公司 (United Gene HealthCare Limited, Shanghai), and an independent third party, Mr. Xe Yi dated 15 February 2010 to jointly establish the limited liability company in Shanghai with a total registered capital of RMB22.5 million, the Group has committed to contribute a total of RMB4.5 million representing 20% interest in that joint venture company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**Registered Office**

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Rooms No. 1405-1406, Harbour Centre
No. 25 Harbour Road
Wanchai
Hong Kong

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Auditors & Reporting Accountants

ANDA Certified Public Accountants
Unit D, 21st Floor, Max Share Centre
373 King's Road, North Point
Hong Kong

Authorized Representatives

Mr. Shen Xiaodong
Rooms No. 1405-1406, Harbour Centre
No. 25 Harbour Road, Wanchai
Hong Kong

Ms. Cheung Sui Ping, Annie
Rooms No. 1405-1406, Harbour Centre
No. 25 Harbour Road, Wanchai
Hong Kong

Company Secretary

Ms. Cheung Sui Ping, Annie AHKICPA

Audit Committee

The Company has established an audit committee with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control procedures of the Group. The audit committee comprise all three independent non-executive Directors and the primary duty of which are to review the annual reports and accounts, half-year reports and give advice and comments thereon to the Directors and to review and supervise the financial reporting process and internal controls.

Company Web-site

<http://www.unitedgenegroup.com>
www.irasia.com/listco/hk/unitedgene

Financial adviser to the Company

Grand Vinco Capital Limited
Units 4909-4910
49/F., The Center
99 Queen's Road Central
Hong Kong

Underwriters

Best Champion Holdings Limited
Rooms No. 1405-1406, Harbour Centre
No. 25 Harbour Road, Wanchai
Hong Kong

Grand Investment (Securities) Limited
22/F, Entertainment Building
30 Queen's Road Central
Hong Kong

Legal adviser to the Company

As to Hong Kong Law:

Winnie Mak, Chan & Yeung
8/F, Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

As to Cayman Law:

Conyers Dill & Pearman
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

12. PROFILES OF DIRECTORS**Executive Directors**

Mr. Qin Yilong, aged 45, graduated from Fudan University with a degree in law, and worked as a senior engineer after graduation. He joined the Group on 15 April 2009. He has substantial experience in developing sales channels for the gene testing services in the People's Republic of China (the "PRC") and in the Southeast Asia regions. Since 1999, He had been the director and vice president of 聯合基因科技有限公司 (for identification purpose, United Gene Technology Holdings Limited), which is controlled by the substantial shareholder of the Company, Dr. Mao Yumin. He was re-designated to a director and chief executive officer in December 2005 and continued to hold such positions until his resignation in May 2008. In July 2006, as one of the co-founders, He formed China United Gene Health Industry Limited ("China United") in Hong Kong for the promotion and distribution of gene testing services in the PRC and in the Southeast Asia regions. The gene testing services have been developed by United Gene Technology Holdings Limited and its subsidiaries, and China United has been granted the exclusive worldwide distribution rights of the gene testing services. In May 2008 and March 2009, China United granted the exclusive and non-exclusive distribution rights of the gene testing services to the indirect wholly-owned subsidiary of the Company, China United Gene Health Limited, in Hong Kong and the PRC respectively. He disposed on his interest in China United and resigned from his directorship therein in March 2009. The business address of him is Rooms No. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

Mr. Shen Xiaodong, aged 42, graduated from 華東師範大學 (East China Normal University) with a Bachelor of Science and a Master of Philosophy. He joined the Group on 19 November 2008. He has worked over 10 years as head of investment for several investment and biological technology companies in the PRC. He has extensive experience in financing, investment, project valuation and risk management in the PRC's capital market. The business address of him is Rooms No. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

Mr. Jiang Jian, aged 50, graduated from 湖南省政法學院 (Politics and Law College of Hunan Province) with major in law. He joined the Group on 19 November 2008. He has been involved in the judicial system in the PRC for over 20 years and ranked Police Supervisor, Class I. He has since worked for 3 years in a state-owned enterprise, Xinyuan Business Development Company Limited in Loudi City, acting as deputy general manager. He is knowledgeable in the legal and political environment in the PRC. The business address of him is Rooms No. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

Independent Non-executive Directors

Dr. Zhang Huiming, aged 54, graduated from Fudan University with a doctorate degree in economics and has been a professor at Fudan University since 1996. He joined the Group on 13 May 2009. He is now the dean of the Institute of Enterprise Study, and was previously the dean of the Fudan-Pacific Institute of Finance at Fudan University. He is a renowned expert in corporate strategic management in the PRC and has published many articles in the areas of corporate theory and corporate strategic management. He has acted as an independent non-executive director of each of Lianhua Supermarket Holdings Co., Ltd, a company listed on the Stock Exchange, since June 2003 and Shanghai Mailing Aquarius Co., Ltd., a company listed in the PRC, since January 2009. He also previously acted as an independent non-executive director of each of Double Coin Holdings Ltd. and Shanghai Jielong Group Industry Corporation Limited, companies listed in the Shanghai Stock Exchange of the PRC, for the period from June 2005 to May 2008. The business address of him is Rooms No. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

Dr. Zhu Lijun, aged 48, graduated from Peking University with a doctorate degree in laws. She joined the Group on 13 May 2009. She has over ten years of teaching experience at the Chinese People's Public Securities University and Beijing City University in Chinese Laws. She has also worked for a major real estate enterprise in the PRC for more than ten years, serving as head of legal division and assistant to the general manager of such enterprise. The business address of her is Rooms No. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

Ms. Chen Weijin, aged 52, is currently the manager in the business department of Shanghai Ruihe Certified Public Accountants Co., Ltd. She joined the Group on 6 November 2009. She had been the former finance supervisor of the companies indirectly controlled by Dr. Mao Yumin, the substantial shareholder of the Company, from April 2001 to June 2003. She graduated from Chinese Communist Party Central Party College and has been a registered accountant in the PRC since 2005. She has more than 30 years of experience in accounting, finance and audit services. The business address of her is Rooms No. 1405-1406, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

13. GENERAL

- (a) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between the Underwriters and any other persons whereby the Shares to be acquired under the Rights Issue will be transferred, charged or pledged to any other persons.
- (b) The English text of this Prospectus shall prevail over the Chinese text.

14. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission and professional fees payable to lawyers, financial advisers and financial printers, etc., are estimated to be not less than approximately HK\$6.2 million. Such expenses will be payable by the Company.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are 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 Prospectus to the Latest Time for Acceptance (both days inclusive).

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Board, the text of which is set out on pages 8 to 19 of this Prospectus;
- (c) the letter from ANDA in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II of this Prospectus;
- (d) the material contracts referred to in the section headed “Material contracts” in this appendix;
- (e) the written consents of the experts referred to in the section headed “Experts and consents” in this appendix;
- (f) the annual reports of the Company for the two years ended 30 June 2008 and 2009;
- (g) the interim report of the Company for the six months ended 31 December 2009;
- (h) the letter of advice from Conyers summarising certain aspects of Cayman company law referred to in Appendix III to this Prospectus;
- (i) service agreements between the Company and the executive Directors, respectively; and
- (j) a copy of the Companies Laws of the Cayman Islands.

16. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the documents required to be condensed or attached to it (if any) have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).