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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 399)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

The board (the "Board") of directors (the "Directors") of United Gene High-Tech Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2011 (the "Interim Period") together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 31 December	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*3 & 5*	**24,179**	68,811
Cost of sales		**(7,167)**	(46,444)
Gross profit		**17,012**	22,367
Other income	*4*	**4,067**	2,731
Impairment loss on an intangible asset	*11*	**(16,636)**	–
Impairment loss on goodwill	*12*	**(1,954)**	–
Selling expenses		**(1,715)**	(2,055)
Administrative expenses		**(25,600)**	(10,174)
(Loss)/profit before tax		**(24,826)**	12,869
Income tax credit/(expense)	*6*	**2,144**	(2,782)
(Loss)/profit for the period	*7*	**(22,682)**	10,087

	Notes	Six months ended 31 December **2011** ***HK$'000*** **(Unaudited)**	2010 *HK$'000* (Unaudited)
Other comprehensive (loss)/income after tax:			
Exchange differences on translating foreign operations		**2,245**	1,003
Fair value changes of available-for-sale financial assets		**(2,294)**	–
Other comprehensive (loss)/income for the period, net of tax		**(49)**	1,003
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		**(22,731)**	11,090
(Loss)/profit for the period attributable to:			
Owners of the Company		**(17,899)**	9,873
Non-controlling interests		**(4,783)**	214
		(22,682)	10,087
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		**(18,354)**	10,681
Non-controlling interests		**(4,377)**	409
		(22,731)	11,090
(Loss)/earnings per share	*9*		
Basic and diluted *(HK cents per share)*		**(0.15)**	0.08

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2011 HK$'000 (Unaudited)	30 June 2011 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**52,599**	32,081
Intangible assets	*11*	**86,540**	100,270
Goodwill	*12*	**–**	1,954
		139,139	134,305
Current assets			
Inventories		**142**	118
Prepayments, deposits and other receivables		**16,810**	21,654
Available-for-sale financial assets	*13*	**96,866**	77,235
Trade receivables	*14*	**4,649**	11,672
Bank and cash balances		**187,440**	222,267
		305,907	332,946
Current liabilities			
Trade payables	*15*	**796**	1,301
Accruals and other payables		**12,346**	7,251
Current tax liabilities		**111**	1,890
		13,253	10,442
Net current assets		**292,654**	322,504
Total assets less current liabilities		**431,793**	456,809
Non-current liabilities			
Deferred tax liabilities		**687**	2,972
NET ASSETS		**431,106**	453,837
Capital and reserves			
Share capital		**121,645**	121,645
Reserves		**296,525**	314,879
Equity attributable to owners of the Company		**418,170**	436,524
Non-controlling interests		**12,936**	17,313
TOTAL EQUITY		**431,106**	453,837

Notes:

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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The unaudited condensed consolidated interim financial statements should be read in conjunction with the 2011 annual financial statements of the Company. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2011 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 2011. 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.

Related Party Disclosures

HKAS 24 (Revised) "Related Party Disclosures" revises the definition of a related party and provides a partial exemption of disclosing related party transactions for government-related entities.

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

HKAS 24 (Revised) exempts an entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

– a government that has control, joint control or significant influence over the entity; and

– another entity that is a related party because the same government has control, joint control or significant influence over both entities.

The entity that applies the exemption is required to disclose the followings:

– the name of the government and the nature of its relationship with the entity (i.e. control, joint control or significant influence); and

– the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:

i. the nature and amount of each individually significant transaction; and

ii. for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

HKAS 24 (Revised) has been applied retrospectively and did not result in any significant changes in the consolidated amounts disclosed in the unaudited condensed consolidated interim financial statements.

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

3. TURNOVER

	Six months ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Distribution of:–		
Gene testing services	**22,692**	58,493
Bio-industrial products	**377**	10,318
Provision of health care management services	**1,110**	–
	24,179	68,811

4. OTHER INCOME

	Six months ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**1,217**	972
Net gain on available-for-sale financial assets	**1,917**	–
Government grant from the People's Republic of China (the "PRC") for a health care management services project	**911**	1,737
Sundry income	**22**	22
	4,067	2,731

5. SEGMENT INFORMATION

The Group has three reportable segments as follows:

(a) distribution of gene testing services

(b) distribution of bio-industrial products

(c) provision of health care management services

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

	Distribution of gene testing services		Distribution of bio-industrial products		Provision of health care management services		Total	
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Six months ended 31 December 2011 and 2010								
Revenue from external customers	**22,692**	58,493	**377**	10,318	**1,110**	–	**24,179**	68,811
Segment profit/(loss) after tax	**3,549**	8,182	**(17,898)**	763	**(11,089)**	–	**(25,438)**	8,945
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
At 31 December and 30 June 2011								
Segment assets	**114,917**	140,778	**43,645**	63,315	**43,001**	20,942	**201,563**	225,035

	Six months ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reconciliation of reportable segment (loss)/profit:		
Total (loss)/profit of reportable segments	**(25,438)**	8,945
Loss on the segment of distribution of pharmaceutical products	**–**	(92)
Corporate and other expenses	**(4,127)**	(3,715)
Elimination of inter-companies expenses	**5,698**	3,987
Unallocated income:		
Other income	**1,185**	962
Consolidated (loss)/profit	**(22,682)**	10,087

6. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax provision for the period		
Hong Kong Profits Tax	**(111)**	–
Overseas	**(88)**	(2,782)
Deferred tax *(note)*	**2,343**	–
	2,144	(2,782)

Hong Kong Profits Tax has been provided at a rate of 16.5% based on estimated assessable profit arising in Hong Kong for the Interim Period. No provision for Hong Kong Profits Tax has been made for the six months ended 31 December 2010 as the Group does not generate any assessable profit arising in Hong Kong during 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.

Note: The deferred tax for the Interim Period included a credit amount of approximately HK$2,250,000 arising from the reversal of a deferred tax liability, which was previously recognised by the Group due to revaluation gain of the exclusive rights for the distribution of bio-industrial products during the year ended 30 June 2011. Since the Group assessed the fair value of such rights and made an impairment loss, the corresponding deferred tax liability was reversed accordingly in the Interim Period.

7. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**990**	584
Depreciation	**1,997**	324
Loss on disposals of property, plant and equipment	**1,542**	–
Impairment loss on an intangible asset	**16,636**	–
Impairment loss on goodwill	**1,954**	–
Directors' emoluments	**550**	660
Operating lease charges of land and buildings	**5,615**	1,605
Cost of inventories sold	**1,712**	8,240
Staff costs including Directors' emoluments	**8,983**	3,748

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2011 (2010: Nil).

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the unaudited (loss)/profit for the period attributable to owners of the Company of approximately HK$(17,899,000) (2010: approximately HK$9,873,000) and the weighted average number of ordinary shares of 12,164,508,062 in issue during the Interim Period.

Diluted (loss)/earnings per share

No diluted (loss)/earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the six months period ended 31 December 2011 and 31 December 2010.

10. PROPERTY, PLANT AND EQUIPMENT

During the Interim Period, the Group acquired approximately HK$27,116,000 (2010: approximately HK$6,832,000) for the additions to property, plant and equipment, of which, approximately HK$19,596,000 and approximately HK$5,173,000 were incurred for the provision of health care management services and construction in progress for the production plant of bio-industrial products business respectively.

11. INTANGIBLE ASSETS

	Permanent exclusive and non-exclusive rights – distribution of gene testing services	Exclusive rights – distribution of bio-industrial products	Research and development – provision of health care management services	Total
	(note a)	*(note b)*	*(note c)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 July 2011 (audited)	79,718	18,519	3,269	101,506
Additions during the period	–	–	3,496	3,496
Exchange difference	–	477	90	567
At 31 December 2011 (unaudited)	**79,718**	**18,996**	**6,855**	**105,569**
Accumulated amortisation and impairment				
At 1 July 2011 (audited)	–	1,236	–	1,236
Amortisation for the period	–	650	340	990
Impairment for the period	–	16,636	–	16,636
Exchange difference	–	164	3	167
At 31 December 2011 (unaudited)	**–**	**18,686**	**343**	**19,029**
Carrying amounts				
At 31 December 2011 (unaudited)	**79,718**	**310**	**6,512**	**86,540**
At 30 June 2011 (audited)	79,718	17,283	3,269	100,270

Notes:

(a) On 13 December 2010, the Group obtained the permanent exclusive rights for the distribution of gene testing services in the regions of the PRC, Hong Kong and Macau, and the permanent non-exclusive rights for the distribution of gene testing services in the other regions, as well as the right of use of certain logos on the gene testing services distributed by the Group.

The recoverable amount of these permanent exclusive and non-exclusive rights is determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to these permanent exclusive and non-exclusive rights. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of these permanent exclusive and non-exclusive rights operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the cash flow forecasts from these permanent exclusive and non-exclusive rights is 18.68%.

(b) On 1 January 2010, CNL (Pinghu) Biotech Co. Ltd. ("CNL (Pinghu)") entered into the exclusive agency agreement with its supplier, Sonac Vuren BV ("Sonac"). Sonac granted the exclusive distribution rights to CNL (Pinghu) for the distribution of its bone chips and bone fat in the PRC for a term of five years and which would be automatically renewed for another ten years subject to no objection to be raised by either party before 31 December 2014. The Group acquired CNL (Pinghu) on 13 July 2010, and made the valuation of intangible assets for its exclusive distribution rights for the term of 14.5 years by the professional surveyor at the amount of approximately RMB15.40 million, which were amortised under the term of 14.5 years. As at 31 December 2011, the Group reviewed the fair value of the exclusive distribution rights for the bio-industrial products. The fair value was assessed to be approximately HK$310,000 according to the valuation report of LCH (Asia-Pacific) Surveyors Limited, an independent valuer to the Group. Accordingly, the Group made an impairment loss on an intangible asset of approximately HK$16,636,000 for the six months ended 31 December 2011.

(c) Research and development refers to the costs of staff, rental and management expenses and testing materials specifically attributable to a health care management services project which would generate probable future economic benefits for a term of five years. The research and development cost was amortised from October 2011 on a straight-line basis accordingly.

12. GOODWILL

	31 December 2011	30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Arising from the acquisition of CNL (Pinghu)	**–**	1,954

The Group acquired 70% equity interest of CNL (Pinghu) on 13 July 2010. This transaction has been accounted for by the acquisition method of accounting.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to the exclusive distribution rights for the bio-industrial products.

As mentioned in note 11(b) to the unaudited condensed consolidated interim financial statements, the Group assessed the fair value of the exclusive distribution rights for the bio-industrial products to be approximately HK$310,000 as at 31 December 2011. The goodwill allocated to such exclusive distribution rights was therefore impaired in full for the six months ended 31 December 2011.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2011	30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bonds at fair value		
Listed in Hong Kong	**8,100**	5,071
Listed outside Hong Kong	**88,766**	72,164
	96,866	77,235

All the above bonds are classified as current assets.

The investments in bonds listed in and outside Hong Kong offer the Group the opportunity for return through the coupon interest income and the capital appreciation. None of these available-for-sale financial assets is either past due or impaired.

The fair values of these listed bonds are based on current bid prices.

14. TRADE RECEIVABLES

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

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

	31 December 2011	30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
30 days or less	**147**	10,470
31 to 60 days	**1,295**	1,202
61 to 180 days	**493**	–
Over 180 days	**2,714**	–
	4,649	11,672

Trade receivables that were past due over 180 days are not impaired as the Group has received bills honoured by the bank. Accordingly, no allowance was made for the trade receivables at 31 December and 30 June 2011.

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

Renminbi ("RMB")	**4,649**	11,616
Hong Kong Dollars	**–**	56
	4,649	11,672

15. TRADE PAYABLES

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

	31 December 2011	30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
30 days or less	**492**	1,301
31 to 60 days	**301**	–
61 to 180 days	**3**	–
	796	1,301

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

RMB	**495**	442
Hong Kong dollars	**301**	859
	796	1,301

16. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 31 December 2011 (30 June 2011: Nil).

17. EVENTS AFTER THE REPORTING PERIOD

Deemed disposal of 20% equity interest of a subsidiary

On 13 January 2012, the Group entered into a conditional injection of capital agreement (the "Injection Agreement") with Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("Jilin Extrawell"). Pursuant to the Injection Agreement, Jilin Extrawell agreed to inject RMB2.5 million by cash for 20% of the registered capital of a subsidiary of the Group, Longmark (Shanghai) HealthCare Limited ("Longmark (Shanghai)", as enlarged after such injection of capital (the "Injection of Capital"), within three months after signing of the Injection Agreement. Longmark (Shanghai) is engaged in the provision of health care management services. The Injection of Capital constitutes a deemed disposal by the Group of 20% equity interest of Longmark (Shanghai) within the meaning of Rule 14.29 of the Listing Rules. The completion of the Injection Agreement shall take place after all registrations with the relevant government bodies be completed.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

Turnover of the Group for the Interim Period amounted to approximately HK$24.2 million, representing approximately 64.83% decrease from the six months ended 31 December 2010 (the "Previous Corresponding Period") of approximately HK$68.8 million. Loss attributable to the owners of the Company for the Interim Period was approximately HK$17.9 million, representing a significant decrease compared to the profit of approximately HK$9.9 million in the Previous Corresponding Period.

BUSINESS REVIEW

Distribution of gene testing services

Since 13 December 2010, the Group has obtained the permanent exclusive distribution rights for gene testing services in the regions of the PRC, Hong Kong and Macau, the permanent non-exclusive distribution rights for gene testing services in other regions as well as the right of use of certain logos on gene testing services distributed by the Group. The Group has enjoyed a higher profit margin since then for the distribution of gene testing services.

On 3 May 2011, in view of the significant decrease in turnover generated by the distributors under the franchise agreements dated 14 July 2009 (the "Franchise Agreements"), and in order to manage the distribution channels more effectively and to achieve higher profit margin less selling expenses, the Group entered into five termination agreements with relevant distributors to terminate the Franchise Agreements with effect from the same date.

The Group has begun to segment its market geographically and establish marketing and distribution channels in the PRC which are under direct supervision and management since March 2010. Distributors for certain market segments have been engaged and marketing policies and measures have been drawn up, which would be constantly reviewed and fine-tuned in response to the varying market factors in different market segments. In addition, to ensure the quality of services provided by the distributors, the Group would provide comprehensive training on gene testing services to the distributors, particularly on the interpretation of the gene testing report.

For the Interim Period, the turnover of the distribution of gene testing services decreased from approximately HK$58.5 million in the Previous Corresponding Period to approximately HK$22.7 million. This was mainly due to the significant drop of turnover under the Franchise Agreements, and the transitional period brought by the change of market segmentation since March 2010. Nevertheless, the result of the Group's newly adopted sales and marketing strategy as well as the permanent exclusive and non-exclusive distribution rights of gene testing services was clearly reflected in the improvement of the gross profit margin for the distribution of gene testing services, which increased substantially from approximately 34.69% in the Previous Corresponding Period to approximately 74.21%. The selling expenses also dropped from approximately HK$2.1 million to approximately HK$1.1 million as compared with the Previous Corresponding Period.

Distribution of bio-industrial products

Since July 2010, the Group has obtained the exclusive distribution rights for the distribution of bone chips and bone fat in the PRC for a period of 5 years, which would be automatically renewed for another ten years subject to no objection to be raised by either party before 31 December 2014. For the Interim Period, turnover of the distribution of bio-industrial products significantly decreased from approximately HK$10.3 million in the Previous Corresponding Period to approximately HK$0.4 million. This was mainly due to the global economic downturn and the fierce competition. The gross profit margin for the distribution of bio-industrial products, as a result, has decreased from approximately 20.14% in the Previous Corresponding Period to approximately 12.05% in the Interim Period after including an understatement in sales tax of the prior period of approximately HK$63,000. On the other hand, the Directors held a conservative view regarding the future performance of this business in view of the uncertainties and risks of developed countries' sluggish economies and turbulent global financial markets affecting the economic development of the PRC in next few years. After assessing the fair value of the intangible asset and goodwill relating the exclusive distribution rights for the bio-industrial products business, the Group made the impairment losses on an intangible asset and goodwill after netting off the reversal of a deferred tax liability at a total amount of approximately HK$16.3 million.

Provision of health care management services

The Group's health care management centre, the "United Gene (Shanghai) Health Care Centre" which commenced business in September 2011, serves as a high-end health care management and service centre with genome technology as its competitive edge. The operation of the United Gene (Shanghai) Health Care Centre adopts the "4P medical services model" which refers to the predictive, preventive, personalised and participatory medical services model. The Group also extends its services to set up an individualised comprehensive and lifelong health service model. The Group researches, develops and provides further health care management services, such as (i) ministry of health library for provision of health care management services, including meridian conditioning, acupuncture, cupping, Chinese medicine treatment consultancy; (ii) provision of exercise physiology treatment consultancy; (iii) provision of physiotherapy and oxygen therapy treatment consultancy; (iv) provision of psychology treatment consultancy; (v) testing of nutrition and metabolism and provision of treatment consultancy; (vi) provision of diet treatment; and (vii) testing for gene mutation. Further, the United Gene (Shanghai) Health Care Centre has cooperated with many hospitals in Shanghai for certain health care management services.

For the Interim Period, turnover for the provision of health care management services was approximately HK$1.1 million, and the segment loss incurred in the provision of health care management services inclusive of start-up costs for the United Gene (Shanghai) Health Care Centre was in total approximately HK$11.1 million.

PROSPECTS

Distribution of gene testing services

As the Group has the permanent exclusive distribution rights for gene testing services in the regions of the PRC, Hong Kong and Macau, and the permanent non-exclusive distribution rights in other regions, the Group would continue to diversify its business through the distribution channels within the PRC and other regions and to expand its market share in the distribution of gene testing services. The Group has different marketing policies and measures to monitor its different geographical distribution channels in response to their varying market factors and for their further development. The Directors are confident that the Group would be able to achieve more sustainable and stable growth in this business sector.

The Group has the laboratories for the manufacture, research and development of gene testing products in Hong Kong and the United Gene (Shanghai) Health Care Centre. The Group will continue to strengthen its ongoing research and development capacity in respect of gene testing products.

Distribution of bio-industrial products

In December 2010, CNL (Pinghu) commenced the construction of the production plant, research and development workshop and office in Pinghu, the PRC. With a team of experts including Mr. A. H. Grobben, who is a Dutch with expertise in hydrolyzed gelatin and bone fat refining technology, CNL (Pinghu) is expected to start production of hydrolyzed gelatin in around April 2012. The total estimated costs inclusive of construction, production equipments and renovation costs would be approximately RMB40 million. Looking ahead, the Group will continue to explore other opportunities for further growth in the bio-industrial products business through strategic cooperation with the world's leading biotechnology enterprises, whether in the aspects of business, product or technology. In particular, the Group strives to build a sound product portfolio which offers high profitability potential.

Provision of health care management services

After the Group established the United Gene (Shanghai) Health Care Centre, the Group has strengthened the marketing and promotion plan for the membership services and benefits in its health care centre.

On 13 January 2012, the Group entered into the Injection Agreement with Jilin Extrawell. Jilin Extrawell is an indirect wholly-owned subsidiary of the Extrawell Pharmaceutical Holdings Limited ("Extrawell Pharmaceutical"), a company listed in the Stock Exchange. Since Dr. Mao Yumin, who is the honourary chairman, chief scientific adviser and a substantial shareholder of the Company, is also the chairman and a substantial shareholder of Extrawell Pharmaceutical, Jilin Extrawell is a connected person of the Company and the entering into of the Injection Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to the Injection Agreement, Jilin Extrawell agreed to inject RMB2.5 million by cash for 20% of the registered capital of a subsidiary of the Group, Longmark (Shanghai), as enlarged after the Injection of Capital, within three months after signing of the Injection Agreement. Longmark (Shanghai) is currently operating the United Gene (Shanghai) Health Care Centre. The Injection of Capital constitutes a deemed disposal by the Group of 20% equity interest of Longmark (Shanghai) within the meaning of Rule 14.29 of the Listing Rules. The completion of the Injection Agreement shall take place after all registrations with the relevant government bodies be completed.

After the Injection of Capital, the synergies of Jilin Extrawell and the Group will enhance the development of provision of health care management services. The cooperation between Jilin Extrawell and the Group will not only strengthen the business of provision of health care management services but also establish a diversified platform for further development. This platform will provide a foundation for the sustainable development of this business, which will enable it to seize the opportunities for further development.

The Group intends to set up more health care centres in other cities in the PRC, which would be funded by the net proceeds raised from the rights issue of the Company in May 2010.

The Group's management will continue to optimise the Group's resource advantages, speed up the construction of new production plant, enhance product lines, establish a base for research and development and expand the sales network in order to seize more opportunities, create considerable economic benefits and thus maximise shareholders' returns.

On top of developing the aforesaid businesses, the Group will continue to search actively for attractive investments in the PRC and globally with a view of (i) developing the businesses of the Group and other new businesses; and (ii) generating positive cash flow and earnings for the Group in long-term. In the meantime, the Group may, if necessary, conduct various fund raising activities to strengthen the capital base of the Company.

FINANCIAL REVIEW

Capital structure, Liquidity and financial resources

Capital structure

	31 December 2011 HK$'000 (Unaudited)	30 June 2011 HK$'000 (Audited)
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
12,164,508,062 ordinary shares of HK$0.01 each	**121,645**	121,645

As at 31 December 2011, the Group had no bank borrowings or other long term financing (30 June 2011: Nil).

Liquidity and financial resources

As at 31 December 2011, the Group had bank and cash balances of approximately HK$187.4 million (30 June 2011: approximately HK$222.3 million).

The ratio of current assets to current liabilities of the Group was 23.08 as at 31 December 2011 as compared to 31.89 as at 30 June 2011. The Group's gearing ratio as at 31 December 2011 was 0.03 (30 June 2011: 0.03) which is calculated based on the Group's total liabilities of approximately HK$13.9 million (30 June 2011: approximately HK$13.4 million) and the Group's total assets of approximately HK$445 million (30 June 2011: approximately HK$467.3 million).

During the Interim Period, the Group had invested in financial assets with an aim to increase and diversify returns from surplus cash in accordance with its treasury policy. They were time deposits at banks with high credit ratings and listed financial assets which can be readily converted to liquid fund at any time on the securities market. The Group places importance to security, short-term commitment and availability on the surplus cash and cash equivalents.

Significant investments

The Group had no significant investments, nor had it made any material acquisition or disposal of the Group's companies or associated companies during the Interim Period.

Details of the future plans for materials investments and their expected sources of funding in the coming year are stated in the paragraphs headed "Distribution of bio-industrial products" and "Provision of health care management services" under the section headed "PROSPECTS".

Charges on the Group's assets

As at 31 December 2011, the Group did not have any charges on its assets (30 June 2011: Nil).

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules for the Interim Period, except for the deviations discussed below.

Code provision A.2.1

The position of chief executive officer remains vacant and the Company is looking for a suitable person to assume this role.

Code provision A.4.1

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and should be subject to re-election.

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

The Directors believe that, despite the deviation from the Code provision A.4.1, the Directors are committed to representing the long-term interests of the Company and its Shareholders as a whole.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive Directors. It reviews with the management the accounting policies and practices adopted by the Group and discusses the auditing, internal control and financial reporting matters. It has reviewed the interim results for the Interim Period. In addition, the Group's external auditors have reviewed the unaudited condensed consolidated interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 29 February 2012

As at the date of this announcement, the board of Directors of the Company comprises Ms. Jiang Nian (Chairman & Non-executive Director), Mr. Jiang Jian (Executive Director), Ms. Lee Nga Yan (Executive Director), Ms. Wu Yanmin (Non-executive Director), Dr. Guo Yi (Non-executive Director), Ms. Chen Weijun (Independent non-executive Director), Dr. Zhang Zhihong (Independent non-executive Director) and Mr. Wang Rongliang (Independent non-executive Director).