United Gene High-Tech Group Limited

(Formerly known as Far East Pharmaceutical Technology Company Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 399)

Annual Report
2009

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Qin Yilong

Executive Directors

Qin Yilong
Shen Xiaodong
Jiang Jian

Independent Non-Executive Directors

Leung Wai Cheung
Zhang Huiming
Zhu Lijun

COMPLIANCE ADVISER

Asian Capital (Corporate Finance) Limited
Suite 1006, Bank of America Tower
12 Harcourt Road, Central
Hong Kong

AUDITORS

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

COMPANY SECRETARY

Cheung Sui Ping, Annie

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 REGISTRAR 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

STOCK CODE

399

COMPANY WEB-SITE

www.unitedgenegroup.com

MESSAGE FROM THE CHAIRMAN

GROUP RESULTS

Turnover of United Gene High-Tech Group Limited (the "Company") and its subsidiaries (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.

MESSAGE FROM THE CHAIRMAN

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 Goldride 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, 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.

MESSAGE FROM THE CHAIRMAN

On 20 August 2008, our subsidiary, Bestdone Limited ("Bestdone") entered into an exclusive distribution agreement with China United, pursuant to which Bestone 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 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.

MESSAGE FROM THE CHAIRMAN

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.

PROSPECTS

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 ancilliary 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.

MESSAGE FROM THE CHAIRMAN

FINANCIAL REVIEW

Capital Structure, Liquidity, Financial Resources

Capital Structure

Details of the capital structure of the Company are set out in note 29 to the consolidated financial statements.

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

Commitments of the Group as at 30 June 2009 are set out in notes 32 and 33 to the consolidated financial statements.

MESSAGE FROM THE CHAIRMAN

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).

Segment information

Details of the segment information are set out in note 9 to the consolidated financial statements.

APPRECIATION

I would like to take this opportunity to thank our fellow Directors for their wise counsel and support, and the management and staff at all levels for their dedication, hard work and contributions in this Financial Year.

Qin Yilong
Chairman

Hong Kong, 28 September 2009

MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Qin Yilong, aged 44, has been appointed as an Executive Director and Chairman since 9 September 2009, and was appointed as an executive director and chairman of the Company's indirect wholly-owned subsidiary, United Gene Health, on 15 April 2009. On 1 September 2009, a resolution has been passed to appoint Mr. Qin as the chairman and the legal representative of 聯合基因（上海）健康管理服務有限公司 (for identification purpose, United Gene HealthCare Limited, Shanghai), an indirect wholly-owned subsidiary of the Company. Mr. Qin graduated from Fudan University with a degree in law, and worked as a senior engineer after graduation. Mr. Qin has substantial experience in developing sales channels for the gene testing services in the PRC and in the Southeast Asia regions. Since 1999, Mr. Qin 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. Mr. Qin was re-designated as the 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, Mr. Qin formed 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 United Gene Health in Hong Kong and the PRC respectively. Mr. Qin disposed on his interest in China United and resigned from his directorship therein in March 2009.

Mr. Shen Xiaodong, aged 41, is an Executive Director. Mr. Shen graduated from 華東師範大學 (East China Normal University) with a Bachelor of Science and a Master of Philosophy. Mr. Shen has worked for over 10 years as the head of investment for several investment and biological technology companies in the PRC. Mr. Shen has extensive experience in financing, investment, project valuation and risk management in the PRC's capital market.

Mr. Jiang Jian, aged 49, is an Executive Director. Mr. Jiang graduated from 湖南省政法學院 (Politics and Law College of Hunan Province) with major in law. Mr. Jiang has been involved in the judicial system in the PRC for over 20 years and ranked Police Supervisor, Class I. Mr. Jiang has since then worked for 3 years in a state-owned enterprise, Xinyuan Business Development Company Limited in Loudi City, acting as deputy general manager. Mr. Jiang is knowledgeable in the legal and political environment in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Leung Wai Cheung, aged 45, is an Independent Non-Executive Director. Dr. Leung is a qualified accountant and a chartered secretary with over 20 years of experience in accounting, auditing and financial management. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Dr. Leung is also a visiting lecturer in the Open University of Hong Kong (LiPACE) and The University of Hong Kong (SPACE), and a professor at the European University. He is also currently the chief financial officer of FlexSystem Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and an independent non-executive director of each of Wing Hing International (Holdings) Limited, Mobicon Group Limited, Sino Prosper Holdings Limited and China Metal Resources Holdings Limited, companies listed on the Stock Exchange.

MANAGEMENT PROFILE

Dr. Zhang Huiming, aged 53, has been appointed as an Independent Non-Executive Director since 13 May 2009. Dr. Zhang graduated from Fudan University with a doctorate degree in economics and has been a professor at Fudan University since 1996. Dr. Zhang 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. Dr. Zhang 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. Dr. Zhang 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.

Dr. Zhu Lijun, aged 47, has been appointed as an Independent Non-Executive Director since 13 May 2009. Dr. Zhu graduated from Peking University with a doctorate degree in laws. Dr. Zhu has over ten years of teaching experience at the Chinese People's Public Securities University and Beijing City University in Chinese Laws. Dr. Zhu has also worked for a major real estate enterprise in the PRC for more than ten years, serving as the head of legal division and assistant to the general manager of such enterprise.

MANAGEMENT

Ms. Cheung Sui Ping, Annie, aged 42, has been appointed as Financial Controller and Company Secretary since 5 December 2008. Ms. Cheung is responsible for the Group's overall financial and company secretarial matters. Ms. Cheung holds a Master degree in Finance from Royal Melbourne Institute of Technology in Australia. Ms. Cheung is an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, she had more than 20 years' of experience in auditing, accounting and finance matters in various commercial sectors.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to complying 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, except for the deviations discussed below. The board of Directors (the "Board") believes that good corporate governance can enhance performance of the Group and improve accountability and transparency to all shareholders of the Company (the "Shareholders").

As the Shares have resumed trading on the Stock Exchange since 18 July 2008, and with the appointment of the compliance advisor, the Company and the Directors will strive to follow the internal control manuals and put in place sufficient resources to comply with the Code. As at the date of this report, save for the separation of the roles of the Chairman and the Chief Executive Officer and the non-specific term for the appointment of independent non-executive directors, the Company has rectified all the deviations from the Code by appointing Executive Directors, Independent Non-Executive Directors, and the company secretary, and established the audit and remuneration committees, all in compliance with the Code.

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 the Directors have confirmed that they have fully complied with the Model Code throughout the year ended 30 June 2009.

BOARD OF DIRECTORS

The Board comprises of four Executive Directors and five Independent Non-Executive Directors during the year ended 30 June 2009 as follows:

Executive Directors

Mr. Shen Xiaodong (Chairman)	(appointed on 19 November 2008, resigned as Chairman on 9 September 2009)
Mr. Jiang Jian	(appointed on 19 November 2008)
Mr. Tai Kai Hing	(resigned on 9 February 2009)
Ms. Choi Suk Ching	(appointed on 9 July 2008 and resigned on 18 December 2008)

Independent non-Executive Directors

Dr. Leung Wai Cheung	(appointed on 9 July 2008)
Dr. Zhang Huiming	(appointed on 13 May 2009)
Dr. Zhu Lijun	(appointed on 13 May 2009)
Mr. Chung Wai Man	(resigned on 13 May 2009)
Mr. Chiu Koon Shou, Victor	(resigned on 13 May 2009)

Further details of the composition of the Board are set out in the section headed "Management Profile" on pages 9 and 10.

CORPORATE GOVERNANCE REPORT

The Board believes that the balance between Executive Directors and Independent Non-Executive Directors is adequate to safeguard Shareholders' value. Independent Non-Executive Directors can also provide the Group with diversified expertise and valuable experience. Their independent advice can bring independent judgment to decision making and add varieties in strategy formulation.

The Directors oversee financial performance and formulate business strategies of the Group, as well as discuss on any significant matters relating to the Group at Board meetings. Daily operational matters are delegated to the management.

During the year, the Board held twenty-one meetings. The attendance of each member at the Board meetings is set out as follows:

Director	Meetings attended/Total
Executive Directors	
Mr. Shen Xiaodong	17/21
Mr. Jiang Jian	16/21
Mr. Tai Kai Hing	11/21
Ms. Choi Suk Ching	6/21
Independent non-Executive Directors	
Dr. Leung Wai Cheung	17/21
Dr. Zhang Huiming	3/21
Dr. Zhu Lijun	3/21
Mr. Chung Wai Man	13/21
Mr. Chiu Koon Shou, Victor	13/21

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer are held by the same individual. The Company is aware of the deviation from A.2.1 of the Code which requires that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Company currently cannot comply with this Code provision and is looking for a suitable person to act as the Chief Executive Officer with a hope to comply with the requirement in the near future.

NON-EXECUTIVE DIRECTORS

A.4.1 of the Code requires that non-executive directors should be appointed for a specific term and should be subject to re-election. The Independent Non-Executive Directors are not appointed for specific terms 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.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS

The Company formulated written terms of reference for the remuneration committee of the Company (the "Remuneration Committee") in accordance with the requirements of the Listing Rules. The Remuneration Committee was set up on 30 June 2008 and keeps the composition of one Executive Director, and two Independent Non-Executive Directors.

The primary functions of the Remuneration Committee are as follows:

(a) to advise Shareholders on whether the terms of service contracts that require Shareholder's approval are fair and reasonable;

(b) to make recommendation on the Group's remuneration policy and structure;

(c) to establish guidelines for recruitment of members of the senior management;

(d) to determine the remuneration of members of the senior management; and

(e) to formulate remuneration policy and make recommendations on annual remuneration review.

Remuneration of the Directors is reviewed and fixed by the Remuneration Committee, with reference to competition and industry norms, the expertise, performance and experience possessed by individual Directors.

During the year, the Remuneration Committee held two meetings . The attendance of each member at the committee meetings is set out as follows:

Director		**Meetings attended/Total**
Executive Director		
Mr. Tai Kai Hing	(resigned on 9 February 2009)	2/2
Mr. Shen Xiaodong	(appointed as Chairman of the Remuneration Committee on 9 February 2009 and resigned on 9 September 2009)	0/2
Independent non-Executive Directors		
Mr. Chung Wai Man	(resigned on 13 May 2009)	2/2
Mr. Chiu Koon Shou, Victor	(resigned on 13 May 2009)	2/2
Dr. Zhang Huiming	(appointed on 13 May 2009)	0/2
Dr. Zhu Lijun	(appointed on 13 May 2009 and as the Chairman of the Remuneration Committee on 9 September 2009)	0/2

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

The Company has not established a nomination committee. To maintain the Board with a balance of skills and experience, the Board will identify individuals suitably qualified to become Directors when necessary. In evaluating whether a candidate is suitable to act as a Director, the Board would normally take into consideration of the candidate's past experience, qualifications and other factors that are relevant to the Company's business.

The appointment of the Directors during the year were based on the aforementioned nomination policy.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors confirm the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also confirm the financial statements of the Group are published timely.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

The Group's external auditors are ANDA Certified Public Accountants. For the year ended 30 June 2009, the auditors of the Company charged the total amount of HK$980,000 for the interim and annual audit services of the Group.

AUDIT COMMITTEE

The Company formulated written terms of reference for the audit committee of the Company (the "Audit Committee") in accordance with the requirements of the Listing Rules. The Audit Committee consists of three Independent Non-Executive Directors.

The primary functions of the Audit Committee are as follows:

(a) to serve as a focal point for communication between the Directors and external auditors;

(b) to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, and monitoring and reviewing the effectiveness of the Group's internal control and the adequacy of the external audit;

(c) to review the appointment of external auditors on an annual basis as well as to ensure continuing auditors independence; and

(d) to develop and monitor the applications of the policies on the engagement of the external auditors to perform non-audit services (other than tax-related services).

The Group's audited financial statements for the year ended 30 June 2009 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE REPORT

During the year, the Audit Committee held three meetings with the Company's external auditor to review the interim and annual audited financial statements. The attendance of each member at the committee meetings is set out as follows:

Director		Meetings attended/Total
Independent non-Executive Directors		
Dr. Leung Wai Cheung	(Chairman of the Audit Committee)	3/3
Mr. Chung Wai Man	(resigned on 13 May 2009)	2/3
Mr. Chiu Koon Shou, Victor	(resigned on 13 May 2009)	3/3
Dr. Zhang Huiming	(appointed on 13 May 2009)	0/3
Dr. Zhu Lijun	(appointed on 13 May 2009)	0/3

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control system to safeguard Shareholders' value, and to review the effectiveness of this system. The Board conducts regular reviews of the Group's internal control system. The system includes defining management structure with limits of authority set at various levels, which is designed to safeguard assets, ensure the maintenance of proper records, provide reliable financial information ready for internal use or publication, and ensure compliance with regulations.

During the year, the Board reviewed internal control procedures of the Group and findings and considered that the internal control system is effective and adequate.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report with the audited consolidated financial statements for the year ended 30 June 2009.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2009 are set out in the consolidated income statement on page 24.

The Directors do not recommend the payment of a dividend for the year ended 30 June 2009.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the financial year in the property, plant and equipment of the Group and of the Company are set out in note 19 to the consolidated financial statements.

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

During the year ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares or the securities of the Company's subsidiaries.

SHARE CAPITAL

Details of movements during the financial year in the share capital of the Company are set out in note 29 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the financial year are set out in the consolidated statement of changes in equity on page 27 and note 30 to the consolidated financial statements, respectively.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Mr. Qin Yilong	(appointed on 9 September 2009)
Mr. Shen Xiaodong	(appointed on 19 November 2008)
Mr. Jiang Jian	(appointed on 19 November 2008)
Mr. Tai Kai Hing	(resigned on 9 February 2009)
Ms. Choi Suk Ching	(appointed on 9 July 2008 and resigned on 18 December 2008)

Independent non-Executive Directors

Dr. Leung Wai Cheung	(appointed on 9 July 2008)
Dr. Zhang Huiming	(appointed on 13 May 2009)
Dr. Zhu Lijun	(appointed on 13 May 2009)
Mr. Chung Wai Man	(resigned on 13 May 2009)
Mr. Chiu Koon Shou, Victor	(resigned on 13 May 2009)

In accordance with Article 86(3) of the Company's articles of association, Mr. Qin Yilong, Dr. Zhang Huiming and Dr. Zhu Lijun, who were appointed subsequent to the last annual general meeting of the Company held on 18 December 2008, shall hold office only until the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 87(1) of the Company's articles of association, Dr. Leung Wai Cheung shall retire by rotation at the forthcoming annual general meeting. Dr. Leung Wai Cheung, being eligible, will not offer himself for re-election and will retire at the forthcoming annual general meeting. Another ordinary resolution would be proposed at the forthcoming annual general meeting to appoint and elect a new independent non-executive director.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on pages 9 and 10 of this Annual Report.

REPORT OF THE DIRECTORS

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the Shareholders at the extraordinary general meeting held on 26 February 2009, the Company had changed its name from "Far East Pharmaceutical Technology Company Limited 遠東生物制藥科技有限公司" to "United Gene High-Tech Group Limited 聯合基因科技集團有限公司" to provide a better identification of the intended business of the Group in the future, to reflect the change of the Company's controlling shareholder, and to enhance business activities for the distribution of gene testing services.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2009, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. There is no interest or right that has been granted or exercised to the Directors during the financial year.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year, nor there was any other contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the financial year.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, the register of interests and short positions in the shares and underlying shares of the Company kept under Section 336 of Part XV of the SFO showed that, the following entities had an interest or deemed interest of 5% or more in the issued share capital of the Company:

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	3,653,846,154	60%
United Gene Holdings Limited	Interest of a controlled corporation	3,653,846,154	60%
Best Champion	Beneficial owner	3,653,846,154	60%

Save as disclosed above, the Directors are not aware of any other relevant interests or short positions of 5% or more in the issued share capital of the Company as at 30 June 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation from each Independent Non-Executive Director with each confirming his independence pursuant to rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 34 to the consolidated financial statements also constituted connected transaction under the Listing Rules, which are exempted from the disclosure requirements in accordance with Chapter 14A.31 of the Listing Rules.

On 17 April 2009, the Company entered into the management services agreement with the substantial shareholder of the Company, Best Champion, for one year. The Company would provide the administrative services to Best Champion in the principle place of business in Hong Kong of the Company, and would receive the monthly administrative services fee of HK$3,600.

To the best knowledge of the Directors, no other connected transactions were made during the financial year.

INTERESTS IN COMPETITORS

During the financial year and up to the date of this report, no Director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the Directors were appointed as Directors to represent the interests of the Company and/or the Group.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the management on the basis of their merit, qualifications and competence.

The emoluments of the Directors for the financial year are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics, and have been reviewed by the Remuneration Committee during the financial year.

The Company has not adopted any share option scheme as the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

CHARITABLE DONATIONS

During the financial year, the Group did not make any charitable donation.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	7.39%
— five largest suppliers combined	16.68%
Sales	
— the largest customer	3.16%
— five largest customers combined	12.86%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at 25 September 2009, the latest practicable date prior to the issue of this report, the Company believe that the number of securities of the Company which are on the hands of the public is above the relevant prescribed minimum percentage.

REPORT OF THE DIRECTORS

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in note 35 to the consolidated financial statements.

CORPORATE GOVERNANCE

Details of the Corporate Governance Report of the Company are set out on pages 11 to 15 of this Annual Report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five years ended 30 June 2009 is set out on page 68 of this Annual Report.

AUDITORS

On 18 July 2007, CCIF CPA Limited who acted as auditors of the Company for the year ended 30 June 2003 resigned and ANDA Certified Public Accountants were appointed as auditors of the Company on 15 August 2007. The consolidated financial statements for the year ended 30 June 2009 have been audited by ANDA Certified Public Accountants who will retire and, being eligible, offer themselves for re-appointment in the forthcoming annual general meeting.

On behalf of the Board

Qin Yilong
Chairman

Hong Kong, 28 September 2009

INDEPENDENT AUDITOR'S REPORT

安達會計師事務所
ANDA CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
United Gene High-Tech Group Limited
(formerly known as Far East Pharmaceutical Technology Company Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of United Gene High-Tech Group Limited (the "Company") set out on pages 24 to 67, which comprise the consolidated and Company balance sheets as at 30 June 2009, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

INDEPENDENT AUDITOR'S REPORT

the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2009 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ANDA Certified Public Accountants

Hong Kong
28 September 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

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

CONSOLIDATED BALANCE SHEET

At 30 June 2009

	Notes	2009 HK$'000	2008 HK$'000
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	–
		41,718	34,751
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
		98,521	18,764
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	–
		32,311	840,555
Net current assets/(liabilities)		66,210	(821,791)
Total assets less current liabilities		107,928	(787,040)
Non-current liabilities			
Deferred taxation	28	–	1,430
NET ASSETS/(LIABILITIES)		107,928	(788,470)
Capital and reserves			
Share capital	29	60,823	2,176
Reserves	30	46,563	(791,152)
Equity attributable to equity holders of the Company		107,386	(788,976)
Minority interests		542	506
TOTAL EQUITY		107,928	(788,470)

Approved by:

Qin Yilong
Director

Shen Xiaodong
Director

BALANCE SHEET

AT 30 JUNE 2009

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

Approved by:

Qin Yilong
Director

Shen Xiaodong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Attributable to equity holders of the Company								
	Share capital *HK$'000*	Share premium account *HK$'000*	Statutory surplus reserve *HK$'000*	Property revaluation reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *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	2,176	385,249	998	3,410	(924)	(1,179,885)	(788,976)	506	(788,470)
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	60,823	476,544	–	–	115	(430,096)	107,386	542	107,928

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
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
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
Cash (used in)/generated from operations		(46,629)	3,491
Tax paid		(87)	(33)
Net cash (used in)/generated from operating activities		(46,716)	3,458

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	Note	**2009** **HK$'000**	2008 HK$'000
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	*10*	**(1,127)**	—
Net cash used in investing activities		**(4,919)**	(38)
Cash flows from financing activities			
Interest paid		**(633)**	(924)
Repayments of borrowings		**(299)**	(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		**149,942**	—
Net cash generated from/(used in) financing activities		**124,080**	(1,022)
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		**1,710**	1,007
Cash and cash equivalents at end of year		**74,065**	1,710
Analysis of cash and cash equivalents			
Bank and cash balances		**74,065**	1,710

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, 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 ("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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

5. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2009

7. TURNOVER

The Group's turnover is as follows:

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

8. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Interest income	**172**	1
Release of a bank loan and other liabilities pursuant to the Scheme	**631,378**	—
Sundry income	**9**	70
	631,559	71

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

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	327,582	310,515	46,860	6,526	–	–	374,442	317,041
Segment results	(4,470)	(5,869)	5,193	949	(19,834)	(3,750)	(19,111)	(8,670)
Other income							631,559	71
Profit/(loss) from operations							612,448	(8,599)
Gain on deconsolidation of the subsidiaries							134,516	–
Finance cost							(633)	(59,947)
Profit/(loss) before tax							746,331	(68,546)
At 30 June 2009 and 2008								
Segment assets	11,530	46,902	119,348	6,526	9,361	87	140,239	53,515
Segment liabilities	10,595	60,954	19,689	5,577	–	–	30,284	66,531
Unallocated liabilities							2,027	775,454
Total liabilities							32,311	841,985
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	176	(1,135)	–	–	–	–	176	(1,135)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2009

9. SEGMENT INFORMATION *(Continued)*

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	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**30,385**	6,526	**128,709**	6,613	**734**	—
The PRC	**344,057**	310,515	**11,530**	46,902	**4**	39
	374,442	317,041	**140,239**	53,515	**738**	39

10. GAIN ON DECONSOLIDATION OF THE SUBSIDIARIES

	2009	2008
	HK$'000	*HK$'000*
Gain on deconsolidation of the subsidiaries	**134,516**	—

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

10. GAIN ON DECONSOLIDATION OF THE SUBSIDIARIES *(Continued)*

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	1,110
Gain on deconsolidation of the subsidiaries	(134,516)
Net cash outflow arising on deconsolidation of the subsidiaries:	
Cash and cash equivalents of the subsidiaries deconsolidated	(1,127)

11. FINANCE COST

	2009 **HK$'000**	2008 *HK$'000*
Interest on bank loans	**633**	59,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

12. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
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	122	33
	1,090	33

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 HK$'000	2008 HK$'000
Profit/(loss) before tax	746,331	(68,546)
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	41	16
	1,090	33

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

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**	–
	5,044	3,002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

14. DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of each Director were as follows:

	Fee HK$'000	Salaries and allowances HK$'000	Other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of Directors					
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	478	813	99	21	1,411
Tai Kai Hing *(note a)*	–	–	–	–	–
Chiu Koon Shou, Victor *(note f)*	180	–	–	–	180
Chung Wai Man *(note f)*	–	–	–	–	–
Total for 2008	180	–	–	–	180

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

14. DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

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	2008
	HK$'000	*HK$'000*
Basic salaries and allowances	**321**	122
Retirement benefit scheme contributions	**7**	—
	328	122

The emoluments fell within the following band:

	Number of individuals	
	2009	2008
Nil — HK$1,000,000	**1**	4

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
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**
	924	**549**	**380**	**—**	**1,853**
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
	15,457	25,850	750	—	42,057

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 HK$'000
THE COMPANY	
Cost	
Additions	**337**
At 30 June 2009	**337**
Accumulated depreciation	
Charge for the year	**18**
At 30 June 2009	**18**
Carrying amounts	
At 30 June 2009	**319**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

20. INVESTMENT IN A SUBSIDIARY

	THE COMPANY	
	2009	2008
	HK$'000	*HK$'000*
Unlisted investment, at cost	–	–

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
	HK$'000	*HK$'000*
Leasehold land in the PRC		
Medium-term lease	–	10,609
Analysed for reporting purpose as:		
Non-current asset	–	10,368
Current asset	–	241
	–	10,609

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
	HK$'000	*HK$'000*
Raw materials	–	1,022
Finished goods	**2,393**	4,619
	2,393	5,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

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
	HK$'000	*HK$'000*
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
	4,224	10,828

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	2008
	HK$'000	*HK$'000*
Renminbi	**4,224**	4,302
Hong Kong Dollars	**–**	6,526
	4,224	10,828

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

25. BANK LOANS

THE GROUP

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

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

	USD *HK$'000*	**RMB** *HK$'000*	**Total** *HK$'000*
Bank loans			
2009	–	–	–
2008	646,524	27,622	674,146

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

	2009	2008
Bank loans	**N/A**	9%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

25. BANK LOANS *(Continued)*

THE COMPANY

	2009 **HK$'000**	2008 *HK$'000*
Bank loans	–	646,524
The borrowings are repayable as follows:		
On demand or within one year	–	646,524
	–	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 *HK$'000*
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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

26. TRADE PAYABLES

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

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
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
	24,893	24,599

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

	2009	2008
	HK$'000	*HK$'000*
RMB	**5,406**	19,170
Hong Kong Dollars	**19,487**	5,429
	24,893	24,599

27. ACCRUALS AND OTHER PAYABLES

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
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
	6,415	141,810

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

28. DEFERRED TAXATION

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

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

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

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 *(Note a)*	—	(52,218)
	2,175,742,400	2,176
Share consolidation of every 10 shares into 1 new share *(Note a)*	(1,958,168,160)	—
As at 30 June 2008	**217,574,240**	**2,176**
Shares issued pursuant to subscription/placing agreements *(Note c)*	**5,864,679,791**	**58,647**
As at 30 June 2009	**6,082,254,031**	**60,823**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2009

29. SHARE CAPITAL *(Continued)*

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 HK2,175,742 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	Total amount raised	Share capital	Share premium
			HK$	*HK$'000*	*HK$'000*	*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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

30. RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law (2007 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

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 ***HK$'000***	2008 *HK$'000*
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**	—
	2,624	312

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**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

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 Direct	Indirect	Principal activities
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 *(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
联合基因(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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

36. PARTICULARS OF THE SUBSIDIARIES OF THE GROUP *(Continued)*

Notes:

(a) 山東特利爾醫藥有限公司 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 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") 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.

FINANCIAL SUMMARY

The results, assets and liabilities of the Group for each of the last five financial years are as follows:

	For the years ended 30 June				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Turnover	**374,442**	317,041	83,111	32,028	29,061
Profit/(Loss) before tax	**746,331**	(68,546)	(64,131)	(52,953)	(40,997)
Income tax expenses	**(1,090)**	(33)	(10)	—	—
Profit/(loss) for the year	**745,241**	(68,579)	(64,141)	(52,953)	(40,997)
Attributable to:					
Equity holders of the Company	**745,205**	(68,621)	(64,150)	(52,953)	(40,997)
Minority interests	**36**	42	9	—	—
	745,241	(68,579)	(64,141)	(52,953)	(40,997)

	As at 30 June				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets	**41,718**	34,751	35,840	34,953	35,351
Current assets	**98,521**	18,764	9,714	12,890	13,026
Current liabilities	**(32,311)**	(840,555)	(762,220)	(700,935)	(649,029)
Non-current liabilities	**—**	(1,430)	(1,637)	(1,427)	(1,271)
Net assets/(liabilities)	**107,928**	(788,470)	(718,303)	(654,519)	(601,923)
Attributable to:					
Equity holders of the Company	**107,386**	(788,976)	(718,517)	(654,519)	(601,923)
Minority interests	**542**	506	214	—	—
Total equity	**107,928**	(788,470)	(718,303)	(654,519)	(601,923)