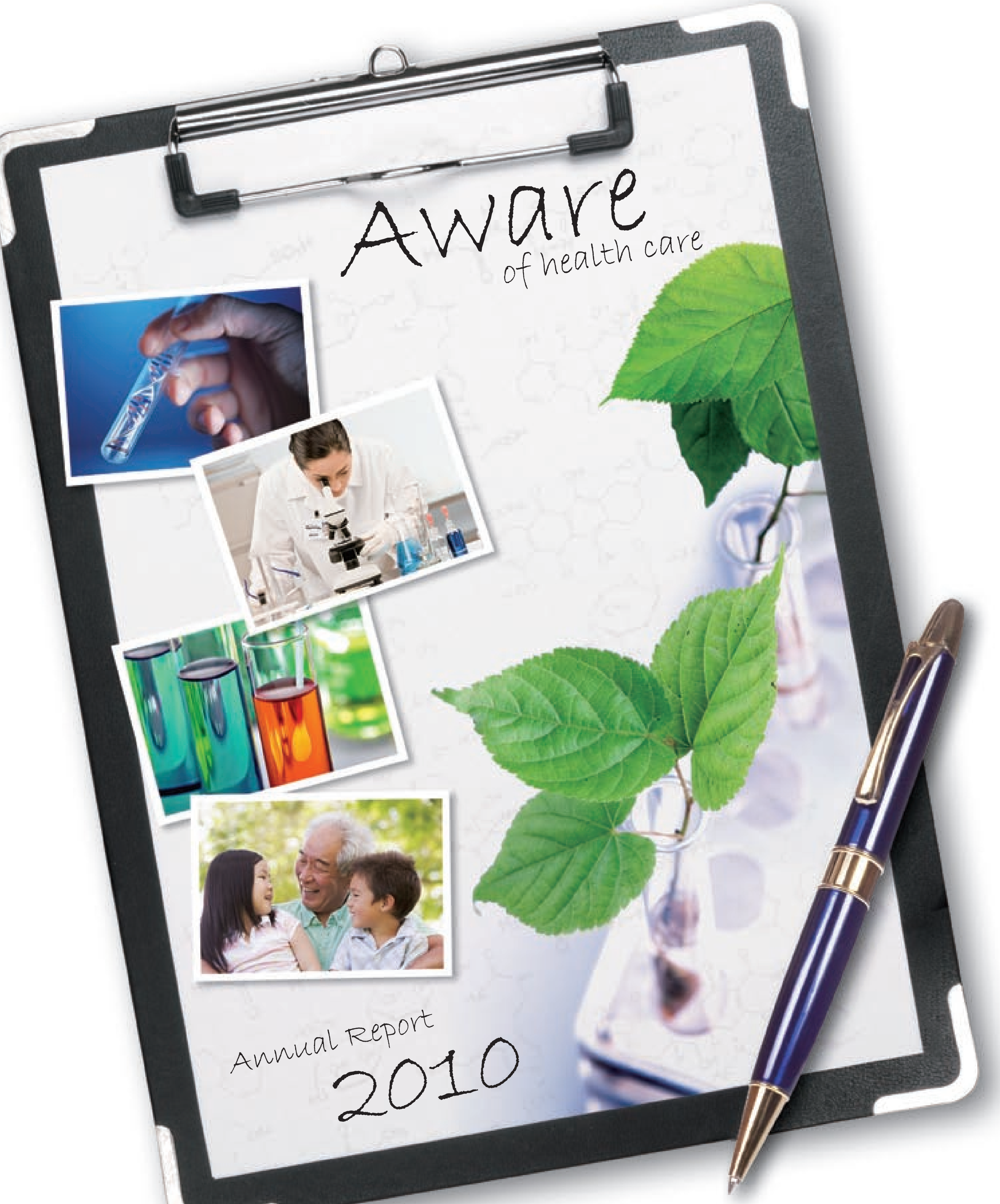
United Gene High-Tech Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00399



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BOARD OF DIRECTORS

Executive Directors

Qin Yilong *(Chairman)*
Shen Xiaodong
Jiang Jian

Independent Non-Executive Directors

Zhang Huiming
Chen Weijun
Jiang Di

Audit Committee

Chen Weijun *(Chairman)*
Zhang Huiming
Jiang Di

Remuneration Committee

Zhang Huiming *(Chairman)*
Qin Yilong
Jiang Di

HONORARY CHAIRMAN

Mao Yumin

COMPANY SECRETARY

Cheung Sui Ping, Annie

COMPLIANCE ADVISER

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

LEGAL ADVISERS

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

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

AUDITORS

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

399

COMPANY WEBSITES

www.unitedgenegroup.com
www.irasia.com/listco/hk/unitedgene

Message from the Chairman

Dear shareholders,

I am pleased to present to all shareholders (the "Shareholders") the annual report of United Gene High-Tech Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2010 (the "Financial Year").

GROUP RESULTS

Turnover of the Group for the Financial Year amounted to approximately HK$483.9 million, representing approximately 29.25% increase from the previous financial year ended 30 June 2009 (the "Previous Financial Year") (approximately HK$374.4 million). The increase in the turnover of approximately HK$109.5 million for the Financial Year was mainly contributed by the distribution of the gene testing services that commenced in the People's Republic of China (the "PRC") in May 2009. Profit attributable to the equity holders of the Company for the Financial Year was approximately HK$11.3 million, compared to that of approximately HK$745.2 million in the Previous Financial Year. This was due to the release of a bank loan and other liabilities amounting to approximately HK$631.4 million pursuant to a scheme of arrangement which became effective on 18 July 2008 (the "Scheme") and the gain on deconsolidation of the subsidiaries amounting to approximately HK$134.5 million during the Previous Financial Year.

BUSINESS REVIEW

Distribution of gene testing services

The Group has continued to diversify its business within the PRC and to expand the market share of its distribution of gene testing services. One of its subsidiaries, China United Gene Health Limited ("United Gene Health"), entered into five franchise agreements (collectively the "Franchise Agreements" or individually a "Franchise Agreement") with five independent distributors, namely Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited (collectively the "Distributors" or individually a "Distributor") for the period of five years on 15 July 2009. Under the Franchise Agreements, United Gene Health (i) appointed the Distributors as its distributors for the gene testing services in the PRC; and (ii) advanced a non-interest bearing loans to the Distributors 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 (collectively the "Loans" or individually a "Loan"), for the sole purpose of soliciting business and organising marketing activities as permitted by United Gene Health. An undertaking has been given to United Gene Health by each of the Distributors to generate annual sales attributable to the distribution of gene testing services in the PRC of not less than HK$24,000,000, HK$32,000,000, HK$32,000,000, HK$40,000,000 and HK$48,000,000 respectively (collectively the "Specified Amounts" or individually a "Specified Amount"). In the event that the sales generated by any Distributor in any one year is equal to or in excess of the Specified Amount relevant to that Distributor, United Gene Health agrees to waive the repayment of 20% of the Loan by the relevant Distributor, which would otherwise have to be repaid to United Gene Health within three business days after the review is made by United Gene Health, pursuant to the relevant Franchise Agreement. In the event that the sales generated by the relevant Distributor falls below the relevant Specified Amount for two consecutive years, United Gene Health will have the right to terminate the Franchise Agreement pertaining to the relevant Distributor and to demand the repayment of the outstanding amount of the relevant Loan within three business days after giving the notice of termination. For the Financial Year, all the Distributors had generated approximately HK$232.7 million sales from the distribution of gene testing services, which was higher than the Specified Amounts. No Distributor failed to meet the respective Specified Amount and was required to repay any amount of the relevant Loan.

Message from the Chairman

During the Financial Year, turnover of the distribution of gene testing services was approximately HK$253 million (approximately HK$46.9 million in the Previous Financial Year). This substantial increase of approximately 439.95% was mainly due to the enlarged distribution coverage in the PRC since May 2009, which contributed approximately HK$232.7 million to the turnover during the Financial Year. The gross profit margin increased from approximately 13.93% in the Previous Financial Year to approximately 14.71% in the Financial Year due to the enhancement of direct distribution channels to certain customers in the PRC.

Co-operative Joint Venture (山東特利爾醫藥有限公司) (the "CJV") for the sale of pharmaceutical products

On 18 September 2009, for commercial reasons, the CJV and Laolaishou Biotech Company Limited (濟南老來壽生物科技有限公司) ("Laolaishou"), an independent third party, mutually agreed to terminate the exclusive distribution agreement in respect of the sales of the products of Laolaishou in the PRC with immediate effect. Termination of this agreement would not have any material financial impact on the Group's operations or financial position.

In October 2009, a member of the top management of the CJV, who is mainly responsible for sales and marketing, encountered serious health problems. Since then, the Group has been looking for a suitable replacement. This has affected the turnover of the CJV which dropped significantly.

During the Financial Year, sales of the pharmaceutical products of the CJV was approximately HK$230.9 million as compared to approximately HK$323.9 million in the Previous Financial Year. This represents a substantial decrease of approximately 28.71% and gross profit margin decreased from approximately 1.71% in the Previous Financial Year to approximately 1.63% in the Financial Year.

PROSPECTS

Distribution of gene testing services

The management believes that the distribution of gene testing services has a strong market potential due to the continued increasing awareness of health care by the Chinese people and the increased national income of the PRC. The directors of the Company (the "Directors") believe that the Group has gained a substantial market share in the gene testing services market in the PRC. In view of its long-term development plans, the Group has to put equal weight to both the market preservation measures and the market development measures to be carried out in the gene testing business. From the year 2010 onwards, the Group will segment the market geographically and set up different policies and measures for further development. In addition, the Group will establish its marketing and distribution channels that may be managed by the Group directly, so as to achieve a more sustainable and stable growth in this business sector.

Message from the Chairman

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 (United Gene HealthCare Limited, Shanghai) ("United Gene HealthCare"), in Shanghai as a limited liability company with a registered capital of HK$20 million, of which HK$4 million was injected as at 30 June 2010 and applied towards the start-up and development costs for the business relating to health care centre. The scope of business of United Gene HealthCare includes health care management service, health care consultancy, health care apparatus wholesale and provision of ancillary services.

On 20 November 2009, United Gene HealthCare established in Guangzhou its first health care centre to provide the genome-based health care services. This health care centre serves as a pilot project before the Group commences on developing such services in large-scale in the future. For the Financial Year, this health care centre did not generate any income because it was still in the development and planning stages of setting up the provision of health care management services.

After conducting market research and feasibility study in the health care centre business, the Group intends to set up more health care centres (which would be cardiac medical centres) in Guangzhou, Shanghai, Beijing and other cities of the PRC, and use principally the genome technology to provide personal disease prevention and health advancement services. This development projects would be funded by the net proceeds raised from the rights issue of the Company in May 2010 as detailed in the paragraph headed "Capital structure" of the section headed "FINANCIAL REVIEW".

Co-operative Joint Venture (山東特利爾醫藥有限公司) (the "CJV") for the sale of pharmaceutical products

In view of the subdued financial performance and management succession problem of the CJV, the Group has been discussing with the joint venture partner on future development of the CJV's business. The Board is of the view that if the management succession problem of the CJV is resolved, the current business situation of the CJV would not have any material financial impact on the Group.

Bio-industrial business

In June 2009, the State Council of the PRC Government issued the announcement of《促進生物產業加快發展若干政策》("Advance bio-industry to speed up the development of a number of policies"). Since then, the bio-industry in the PRC has entered into an accelerating development trend. In view of this development, the Group intends to aggressively explore more businesses related to the bio-industry to increase its profitability. On 9 July 2010, the Group acquired CNL (Pinghu) Biotech Co. Ltd. ("CNL (Pinghu)") which is principally engaged in the business of wholesaling bone chips in the PRC. As a result, the Group has become involved in the trading of biological raw materials, and through CNL (Pinghu), the Group would establish more cooperation with the European biotechnology enterprises and seek more acquisition opportunities.

Message from the Chairman

FINANCIAL REVIEW

Capital structure

On 19 March 2010, the Company announced to the Shareholders a proposed rights issue on the basis of one rights share for every existing share in issue, which would result in the issue of 6,082,254,031 new ordinary shares of HK$0.01 each, at the subscription price of HK$0.052 per rights share. Best Champion Holdings Limited ("Best Champion"), the substantial shareholder of the Company, and Grand Investment (Securities) Limited, both acting as the underwriters, entered into an underwriting agreement with the Company on 19 March 2010 to fully underwrite the proposed rights shares. Approximately HK$310.4 million net funds had been raised upon completion of the rights issue on 18 May 2010, of which approximately 90% is expected to be applied for future business development activities including but not limited to investing in the health care centres in Guangzhou, Beijing, Shanghai and other cities in the PRC and investing in the business of health care and pharmaceutical products such as oral insulin, etc.. Approximately 10% of the funds will be used for general working capital of the Group.

Details of the capital structure of the Company are set out in note 27 to the financial statements.

As at 30 June 2010, the Group had no bank borrowings or other long term financing (30 June 2009: nil).

Liquidity and financial resources

As at 30 June 2010, the Group had bank and cash balances of approximately HK$344.2 million (30 June 2009: approximately HK$74.1 million).

The ratio of current assets to current liabilities of the Group was 4.63 as at 30 June 2010 compared to 3.05 as at 30 June 2009. The Group's gearing ratio as at 30 June 2010 was 0.18 (30 June 2009: 0.23) which is calculated based on the Group's total liabilities of approximately HK$97.1 million (30 June 2009: approximately HK$32.3 million) and the Group's total assets of approximately HK$526.7 million (30 June 2009: approximately HK$140.2 million).

Significant investment

On 15 February 2010, United Gene HealthCare entered into a joint venture agreement with an independent third party to jointly establish 上海途舒館健康管理服務有限公司 ("SH HealthCare Joint Venture") in Shanghai, which is a limited liability company with a registered capital of RMB22.5 million. United Gene HealthCare has contributed partial investment cost of RMB900,000 for a 20% equity interest in SH HealthCare Joint Venture. As the operation of SH HealthCare Joint Venture did not reflect the mission of the Group, on 18 June 2010, United Gene HealthCare entered into a share transfer agreement to dispose of the 20% equity interest in SH HealthCare Joint Venture to another independent third party for the sum of RMB900,000.

Message from the Chairman

On 9 July 2010, United Gene Health entered into a share transfer agreement and a supplemental agreement with certain independent third parties to purchase a total of 70% equity interest in CNL (Pinghu) for a consideration of RMB15.12 million. CNL (Pinghu) is established in the PRC with limited liability and is principally engaged in the business of wholesale of bone chips in the PRC. On 9 September 2010, United Gene Health injected further capital investments of RMB15.88 million into CNL (Pinghu) upon completion of the share transfer. The balance of RMB4 million will be injected upon release of the audited financial statements of CNL (Pinghu) for the year ended 31 December 2010.

Save as disclosed above, the Group had no other significant investment, nor has it made any material acquisition or disposal of the Group's companies or associated companies during the Financial Year (30 June 2009: nil).

The details of future plans for materials investments and their expected sources of funding in the coming year is stated in the paragraph headed "Provision of health care management services" of the section headed "PROSPECTS", and the paragraph headed "Capital structure" of the section headed "FINANCIAL REVIEW".

Charges on the Group's assets

As at 30 June 2010, the Group did not have any charges on its assets (30 June 2009: nil).

Contingent liabilities

The Directors are not aware of any significant contingent liabilities of the Group as at 30 June 2010 (30 June 2009: nil).

Commitments

Commitments of the Group as at 30 June 2010 are set out in notes 30 and 31 to the financial statements.

Foreign exchange exposure

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

Message from the Chairman

Number and remuneration of employees

As at 30 June 2010, the Group had 85 (30 June 2009: 184) full-time employees, most of whom were working in the subsidiaries in the PRC. It is the Group's policy that remuneration of the employees including the Directors is in line with the market and commensurate with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement schemes, training programmes and education subsidies.

Total staff costs including the directors' remuneration for the Financial Year amounted to approximately HK$7.7 million (2009: approximately HK$5 million).

Segment information

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

Qin Yilong
Chairman

Hong Kong, 27 September 2010

Management Profile

EXECUTIVE DIRECTORS

Mr. Qin Yilong, aged 45, has been appointed as an executive Director and chairman of the Company since 9 September 2009. Mr. Qin graduated from Fudan University with a degree in law, and worked as a senior engineer after graduation. He has substantial experience in developing sales channels for the gene testing services in the PRC and in the Southeast Asia regions. Since 1999, he had been the director and vice president of 聯合基因科技有限公司 (United Gene Technology Holdings Limited), which is controlled by the substantial shareholder of the Company, Dr. Mao Yumin. He was re-designated to a director and chief executive officer in December 2005 and continued to hold such positions until his resignation in May 2008. In July 2006, as one of the co-founders, he formed China United Gene Health Industry Limited ("China United") in Hong Kong for the promotion and distribution of gene testing services in the PRC and in the Southeast Asia regions. The gene testing services are developed by United Gene Technology Holdings Limited and its subsidiaries, and China United has been granted the exclusive worldwide distributorship of the gene testing services. In May 2008 and March 2009, China United granted the exclusive and non-exclusive distributorship of the gene testing services to United Gene Health in Hong Kong and the PRC respectively. He disposed of his interest in China United and resigned from his directorship therein in March 2009.

Mr. Shen Xiaodong, aged 42, is an executive Director of the Company. Mr. Shen graduated from 華東師範大學 (East China Normal University) with a Bachelor degree of Science and a Master degree of Philosophy. He has worked over 10 years as head of investment for several investment and biological technology companies in the PRC. He has extensive experience in financing, investment, project valuation and risk management in the PRC's capital market.

Mr. Jiang Jian, aged 50, is an executive Director of the Company. Mr. Jiang graduated from 湖南省政法學院 (Politics and Law College of Hunan Province) with a major in law. He has been involved in the judicial system in the PRC for over 20 years and ranked Police Supervisor, Class I. He worked for 3 years in a state-owned enterprise, Xinyuan Business Development Company Limited in Loudi City, acting as deputy general manager. He is knowledgeable in the legal and political environment in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zhang Huiming, aged 54, is an independent non-executive Director of the Company. Dr. Zhang graduated from Fudan University with a doctorate degree in economics and has been a professor at Fudan University since 1996. He is now the dean of the Institute of Enterprise Study at Fudan University, and was previously the dean of the Fudan-Pacific Institute of Finance at Fudan University. He is a renowned expert in corporate strategic management in the PRC and has published many articles in the areas of corporate theory and corporate strategic management. He has acted as an independent non-executive director of each of Lianhua Supermarket Holdings Co., Ltd, a company listed on The Stock Exchange of Hong Kong Limited (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 Double Coin Holdings Ltd. and Shanghai Jielong Group Industry Corporation Limited, both companies are listed in the Shanghai Stock Exchange of the PRC, for the period from June 2005 to May 2008.

Management Profile

Ms. Chen Weijun, aged 53, has been appointed as an independent non-executive Director of the Company since 6 November 2009. Ms. Chen is currently the manager of the business department of Shanghai Ruihe Certified Public Accountants Co., Ltd. She was formerly the finance supervisor of the companies indirectly controlled by Dr. Mao Yumin, the substantial shareholder of the Company, from April 2001 to June 2003. She graduated from Chinese Communist Party Central Party College and has been a registered accountant in the PRC since 2005. She has more than 30 years of experience in accounting, finance and audit services.

Ms. Jiang Di, aged 32, has been appointed as an independent non-executive Director of the Company since 9 June 2010. Ms. Jiang graduated from Aston University with a Degree of Master of Science in international business. She has served as a sub-manager of International Sales Department of Zak Designs (Shanghai)., Ltd. since February 2006 and has extensive experience in product development, sales and marketing.

MANAGEMENT

Ms. Cheung Sui Ping, Annie, aged 43, is the financial controller and company secretary of the Company. Ms. Cheung is responsible for the Group's overall financial and company secretarial matters. She holds a Master degree in Finance from the Royal Melbourne Institute of Technology in Australia. She is an associate member of the Hong Kong Institute of Certified Public Accountants and of the Association of Chartered Certified Accountants in Hong Kong. She has more than 20 years' of experience in auditing, accounting and finance matters in various commercial sectors.

External Consultant Profile

RESEARCH AND DEVELOPMENT

Dr. Mao Yumin, aged 58, has been engaged as the chief scientific adviser of the Company since 1 September 2010, responsible for providing advisory and consultancy services to the Group in relation to the research and development of its gene-testing products and other scientific technologies. Dr. Mao is a substantial shareholder of the Company. He was a member of the Consultant Committee of Fudan University, the dean of the School of Life Sciences and Institute of Genetics of Fudan University, and the director of State Key Laboratory of Genetic Engineering in Fudan University. Dr. Mao's main area of research focuses on biological and genetic engineering. Dr. Mao has accumulated extensive experiences in operations in the genomic research based industry. Dr. Mao has acted as the chairman and an executive director of Extrawell Pharmaceutical Holdings Limited (stock code: 858), a company listed on the Stock Exchange, since April 2002.

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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange for the year ended 30 June 2010 (the "Financial Year"), except for the deviations discussed below.

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 Financial Year.

BOARD OF DIRECTORS

The Board was served by three executive Directors and five independent non-executive Directors during the Financial Year as follows:

Executive Directors

Mr. Qin Yilong *(Chairman)*	(appointed on 9 September 2009)
Mr. Shen Xiaodong	
Mr. Jiang Jian	

Independent non-executive Directors

Dr. Leung Wai Cheung	(resigned on 6 November 2009)
Dr. Zhang Huiming	
Dr. Zhu Lijun	(resigned on 9 June 2010)
Ms. Chen Weijun	(appointed on 6 November 2009)
Ms. Jiang Di	(appointed on 9 June 2010)

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

The Board considers the balance between executive Directors and independent non-executive Directors adequate to safeguard the Shareholders' interests. Independent non-executive Directors can also provide the Group with diversified expertise and valuable experience. Their independent advice can bring independent judgment to the decision making of the Board and bring new ideas to the formulation of corporate strategy.

Corporate Governance Report

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

During the Financial Year, the Board held seventeen meetings. The attendance of each member at the Board meetings is set out as follows:

Director	Meetings attended/Total
Executive Directors	
Mr. Qin Yilong *(Chairman)*	10/17
Mr. Shen Xiaodong	15/17
Mr. Jiang Jian	13/17
Independent non-executive Directors	
Dr. Leung Wai Cheung	4/17
Dr. Zhang Huiming	12/17
Dr. Zhu Lijun	11/17
Ms. Chen Weijun	7/17
Ms. Jiang Di	1/17

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

NON-EXECUTIVE DIRECTORS

Code provision A.4.1

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

The Company has deviated from the Code provision A.4.1. The independent non-executive Directors were 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.

The Board believes that, despite the absence of specified term of non-executive Directors, the Directors are committed to representing the long-term interests of the Company and the Shareholders.

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 comprising one executive Director and two independent non-executive Directors.

The primary functions of the Remuneration Committee are as follows:

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

(b) to make recommendation to the Board 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 to the Board on annual remuneration review.

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

During the Financial 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. Shen Xiaodong	(resigned from the Remuneration Committee on 9 September 2009)	1/2
Mr. Qin Yilong	(appointed to the Remuneration Committee on 9 September 2009)	1/2
Independent non-Executive Directors		
Dr. Zhang Huiming	(appointed as the chairman of the Remuneration Committee on 27 September 2010)	2/2
Dr. Zhu Lijun	(appointed as the chairman of the Remuneration Committee on 9 September 2009 and resigned on 9 June 2010)	2/2
Ms. Jiang Di	(appointed to the Remuneration Committee on 9 June 2010)	0/2

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 Board appointed the Directors during the Financial Year on the basis of 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 that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also confirm that the financial statements of the Group are published in a timely manner.

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 Financial Year, the auditors of the Company charged a total amount of approximately HK$711,000 for the interim review, annual audit and other professional 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 with the management of the accounting policies and practices adopted by the Group, and supervision of financial reporting, and monitoring and reviewing the effectiveness of the Group's internal control and the adequacy of the external audit;

Corporate Governance Report

(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 other professional services (other than tax-related services).

The Group's audited financial statements for the Financial Year have been reviewed by the Audit Committee.

During the year under review, the Audit Committee held two meetings with the Company's external auditors to review the interim and annual financial statements. The attendance of each member of the Audit Committee 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 and resigned on 6 November 2009)	1/2
Dr. Zhang Huiming		2/2
Dr. Zhu Lijun	(resigned on 9 June 2010)	2/2
Ms. Chen Weijun	(appointed as chairman of the Audit Committee on 6 November 2009)	1/2
Ms. Jiang Di	(appointed on 9 June 2010)	0/2

INTERNAL CONTROL

The Board has an overall responsibility for maintaining a sound and effective internal control system to safeguard the Shareholders' interests, and to review the effectiveness of this system. The Board conducts regular reviews of the Group's internal control system. The system includes defined 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 for internal use or publication, and ensure compliance with regulations.

During the Financial Year, the Board has reviewed the internal control procedures of the Group and findings and considers the internal control system effective and adequate.

Report of the Directors

The Directors have pleasure in submitting their report with the audited financial statements for the year ended 30 June 2010 (the "Financial Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 34 to the financial statements.

RESULTS AND FINANCIAL POSITION

The results of the Group for the Financial Year are set out in the consolidated statement of comprehensive income on page 26.

The Directors do not recommend the payment of a dividend for the Financial Year.

The state of affairs of the Group and the Company as at 30 June 2010 are set out in the statements of financial position on pages 27 and 28 respectively.

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 financial statements.

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

During the Financial Year, 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 27 to the 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 29, and note 28 to the financial statements, respectively.

Report of the Directors

DIRECTORS

The Directors of the Company who held office during the Financial Year and up to the date of this report were:

Executive Directors

Mr. Qin Yilong *(Chairman)*	(appointed on 9 September 2009)
Mr. Shen Xiaodong	
Mr. Jiang Jian	

Independent non-executive Directors

Dr. Leung Wai Cheung	(resigned on 6 November 2009)
Dr. Zhang Huiming	
Dr. Zhu Lijun	(resigned on 9 June 2010)
Ms. Chen Weijun	(appointed on 6 November 2009)
Ms. Jiang Di	(appointed on 9 June 2010)

In accordance with Article 86(3) of the Company's articles of association, Ms. Jiang Di, who was appointed subsequent to the last annual general meeting of the Company held on 6 November 2009, shall hold office only until the forthcoming annual general meeting ("2010 AGM") and, being eligible, will offer herself for re-election at the 2010 AGM.

In accordance with Article 87(1) of the Company's articles of association, Mr. Jiang Jian shall retire by rotation at the 2010 AGM. Mr. Jiang Jian, being eligible, will offer himself for re-election at the 2010 AGM.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2010 AGM 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 report.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2010, none of the Directors, chief executive of the Company 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 the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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.

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

As at 30 June 2010, the register of interests and short positions in the shares and underlying shares of the Company kept under Section 336 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:

Long positions in the issued share capital of the Company

Name of shareholders	Capacity	Number of shares/ underlying shares held	Percentage of the issued share capital of the Company
Dr. Mao Yumin ("Dr. Mao")	Interest of a controlled corporation	6,951,233,853	57.14%
United Gene Holdings Limited	Interest of a controlled corporation	6,951,233,853	57.14%
Best Champion	Beneficial owner	6,951,233,853	57.14%

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 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation from each independent non-executive Director confirming his/her independence pursuant to rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Report of the Directors

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 32 to the financial statements constituted connected transactions under the Listing Rules, which are exempted from the disclosure requirements in accordance with rule 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, which would be automatically renewed for one more year upon expiry until any notification of termination. The Company would provide the administrative services to Best Champion in the principal place of business in Hong Kong of the Company, and would receive a monthly administrative services fee of HK$3,600.

The Company entered into an agreement with the substantial shareholder of the Company, Dr. Mao, on 31 August 2010 pursuant to which Dr. Mao has been engaged as the chief scientific adviser of the Company at a monthly service fee of HK$37,500, to provide advisory and consultancy services to the Group in relation to the research and development of its gene-testing products and other scientific technologies. The engagement shall be for a term of three years commencing from 1 September 2010 unless terminated earlier in accordance with the agreement.

To the best knowledge of the Directors, there were no other connected transactions 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 had 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.

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.

SHARE OPTION SCHEME

On 6 November 2009 at the annual general meeting, the Company adopted a share option scheme (the "Share Option Scheme") and, unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from that date. The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme may not in aggregate exceed 608,225,403, being 10% of the shares in issue of the Company as at the date of adoption of the Share Option Scheme. The offer of a grant may be accepted upon payment of a nominal consideration of HK$1 per acceptance.

The exercise price of the share options granted under the Share Option Scheme is determined by the Board, but shall not be less than the highest of (i) the nominal value of the Company's shares, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant, or (iii) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant.

As at 30 June 2010, the Company had not granted any options to the eligible persons of the Share Option Scheme and there was no outstanding share options under the Share Option Scheme.

Apart from the aforesaid, at no time during the Financial Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, chief executive and substantial shareholders of the Company or any of their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 (2009: Nil).

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's total purchases and sales attributable to the Group's major suppliers and customers respectively during the Financial Year is as follows:

	Percentage of the Group's total
Purchases	
– the largest supplier	36.20%
– five largest suppliers combined	41.32%
Sales	
– the largest customer	11.76%
– five largest customers combined	48.09%

At no time during the Financial Year had any of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) 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 the date of this report, the Directors believe that the number of securities of the Company which are in the hands of the public is above the relevant prescribed minimum percentage under the Listing Rules.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in note 33 to the financial statements.

CORPORATE GOVERNANCE

Details of the Corporate Governance Report of the Company are set out on pages 12 to 16 of this report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five years ended 30 June 2010 is set out on page 70 of this report.

AUDITORS

The financial statements for the year ended 30 June 2010 have been audited by ANDA Certified Public Accountants ("ANDA"). Notice has been received from ANDA due to the reorganization of its professional practice, ANDA CPA Limited, a corporate practice of certified public accountants, was incorporated to take over substantially all of the assignments of ANDA. As such, ANDA will not offer themselves for re-election as the auditors of the Company at the 2010 AGM, and as such, ANDA shall retire from office with effect immediately upon the conclusion of the 2010 AGM. The Directors propose to appoint ANDA CPA Limited as the new auditors of the Company following the resignation of ANDA and to hold office until the conclusion of the next annual general meeting of the Company. The Directors are of the view that it would be in the best interest of the Company and the Shareholders as a whole to appoint ANDA CPA Limited to continue to serve the Company.

On behalf of the Board

Qin Yilong
Chairman

Hong Kong, 27 September 2010

Independent Auditor's Report

安達會計師事務所
ANDA CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS OF
United Gene High-Tech Group 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") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 70, which comprise the consolidated and Company's statements of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 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 2010 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
27 September 2010

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	7	**483,947**	374,442
Cost of sales		**(442,967)**	(362,895)
Gross profit		**40,980**	11,547
Other income	8	**247**	631,559
Selling expenses		**(9,709)**	(2,421)
Administrative expenses		**(18,026)**	(28,237)
Profit from operations		**13,492**	612,448
Gain on deconsolidation of the subsidiaries	10	**–**	134,516
Finance cost	11	**(184)**	(633)
Profit before tax		**13,308**	746,331
Income tax expense	12	**(2,132)**	(1,090)
Profit for the year	13	**11,176**	745,241
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**102**	(71)
Revaluation surplus on buildings		**–**	176
Other comprehensive income for the year, net of tax		**102**	105
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,278**	745,346
Profit/(Loss) attributable to:			
Equity holders of the Company		**11,262**	745,205
Non-controlling interests		**(86)**	36
		11,176	745,241
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**11,355**	745,310
Non-controlling interests		**(77)**	36
		11,278	745,346
			(restated)
Earnings per share	18		
Basic and Diluted (HK cents per share)		**0.11**	7.70

Consolidated Statement of Financial Position

At 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	19	**2,115**	1,718
Prepayments, deposits and other receivables	21	**75,200**	40,000
		77,315	41,718
Current assets			
Inventories	22	**569**	2,393
Prepayments, deposits and other receivables		**5,148**	17,839
Trade receivables	23	**99,426**	4,224
Bank and cash balances		**344,224**	74,065
		449,367	98,521
Current liabilities			
Trade payables	24	**87,077**	24,893
Accruals and other payables	25	**7,257**	6,415
Current tax liabilities		**2,741**	1,003
		97,075	32,311
Net current assets		**352,292**	66,210
NET ASSETS		**429,607**	107,928
Capital and reserves			
Share capital	27	**121,645**	60,823
Reserves	28	**307,497**	46,563
Equity attributable to equity holders of the Company		**429,142**	107,386
Non-controlling interests		**465**	542
TOTAL EQUITY		**429,607**	107,928

Approved and authorized for issue by the board of Directors on 27 September 2010.

Qin Yilong
Director

Shen Xiaodong
Director

Statement of Financial Position

At 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	*19*	**285**	319
Investment in a subsidiary	*20*	**–**	–
		285	319
Current assets			
Due from subsidiaries	*20*	**78,553**	94,235
Prepayments, deposits and other receivables		**1,341**	1,111
Bank and cash balances		**335,402**	7,931
		415,296	103,277
Current liabilities			
Accruals and other payables		**458**	1,024
Net current assets		**414,838**	102,253
NET ASSETS		**415,123**	102,572
Capital and reserves			
Share capital	*27*	**121,645**	60,823
Reserves	*28*	**293,478**	41,749
TOTAL EQUITY		**415,123**	102,572

Approved by and authorized for issue by the board of Directors on 27 September 2010

Qin Yilong
Director

Shen Xiaodong
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	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$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2008	2,176	385,249	998	3,410	(924)	(1,179,885)	(788,976)	506	(788,470)
Total comprehensive income for the year	–	–	–	176	(71)	745,205	745,310	36	745,346
Shares issued on group restructuring *(Note 27(b))*	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
At 1 July 2009	**60,823**	**476,544**	**–**	**–**	**115**	**(430,096)**	**107,386**	**542**	**107,928**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**93**	**11,262**	**11,355**	**(77)**	**11,278**
Shares issued on rights issue (Note 27(c))	**60,822**	**249,579**	**–**	**–**	**–**	**–**	**310,401**	**–**	**310,401**
At 30 June 2010	**121,645**	**726,123**	**–**	**–**	**208**	**(418,834)**	**429,142**	**465**	**429,607**

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flow from operating activities			
Profit before tax		**13,308**	746,331
Adjustment for:			
Depreciation		**456**	1,093
Loss on written off of property, plant and equipment		**4**	108
Amortization of prepaid lease payments		**–**	101
Impairment on an amount due from a deconsolidated subsidiary		**–**	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		**(204)**	(172)
Finance cost		**184**	633
Operating cash flows before working capital changes		**13,748**	(14,574)
Changes in inventories		**1,824**	3,248
Changes in prepayment, deposits and other receivables		**(22,509)**	(57,875)
Changes in trade receivables		**(95,202)**	5,000
Changes in trade payables		**62,184**	15,847
Changes in accruals and other payables		**842**	1,725
Cash used in operations		**(39,113)**	(46,629)
Tax paid		**(394)**	(87)
Net cash used in operating activities		**(39,507)**	(46,716)

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flow from investing activities			
Interest received		**204**	172
Purchase of property, plant and equipment		**(1,330)**	(738)
Proceeds on sale of property, plant and equipment		**490**	–
Advancement to a subsidiary deconsolidated		**–**	(3,226)
Deconsolidation of the subsidiaries	*10*	**–**	(1,127)
Net cash used in investing activities		**(636)**	(4,919)
Cash flow from financing activities			
Interest paid		**(184)**	(633)
Repayments of borrowings		**–**	(229)
Repayment of a bank loan and other liabilities pursuant to the Scheme		**–**	(25,000)
Proceeds on issue of shares		**316,277**	149,942
Share issue expenses paid		**(5,876)**	–
Net cash generated from financing activities		**310,217**	124,080
Net increase in cash and cash equivalents		**270,074**	72,445
Effect of foreign exchange rate changes		**85**	(90)
Cash and cash equivalents at beginning of year		**74,065**	1,710
Cash and cash equivalents at end of year		**344,224**	74,065
Analysis of cash and cash equivalents			
Bank and cash balances		**344,224**	74,065

Notes to the Financial Statements

For the year ended 30 June 2010

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 in Hong Kong 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 34 to the financial statements.

2. BASIS OF PREPARATION

Deconsolidation of subsidiaries

Pursuant to a scheme of arrangement (the "Scheme"), 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, 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 2009. HKFRSs comprise HKFRS, Hong Kong Accounting Standards ("HKAS"), and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior years except as stated below.

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

(a) Presentation of financial statements

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

(b) Operating segments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These 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 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 financial statements in conformity with HKFRSs requires the use of certain 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 financial statements, are disclosed in note 5 to the financial statements.

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

Notes to the Financial Statements

For the year ended 30 June 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and 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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and equity holders of the Company.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with equity holders in their capacity as equity holders). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

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

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

Notes to the Financial Statements

For the year ended 30 June 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit or loss during the year in which they are incurred.

Revaluation increases of buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued building, the attributable revaluation increases 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 the end of each reporting period.

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 profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense 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 statement of financial position 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 in other comprehensive income is recognised in profit or loss.

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 profit or loss.

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For the year ended 30 June 2010

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 profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss 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 statement of cash flows, 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.

Trade and other payables

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

Revenue recognition

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

Revenue from the sales of manufactured goods and trading of goods is 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenues from the distribution of gene testing services is 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 profit or loss represents contributions payable by the Group to the funds.

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 recognised in profit or loss 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 end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. 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 the end of each reporting period 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.

Notes to the Financial Statements

For the year ended 30 June 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Related parties

A party is related to the Group if:

(a) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, 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 profit or loss, 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 profit or loss, 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.

Notes to the Financial Statements

For the year ended 30 June 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are 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 2010 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.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty

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

(a) Depreciation of property, plant and equipment

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

(b) Allowance for bad and doubtful debts

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

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. 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.

Notes to the Financial Statements

For the year ended 30 June 2010

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 30 June 2010 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. 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 the relative staffs 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 statement of financial position approximate their respective fair values.

7. TURNOVER

The Group's turnover is as follows:

	2010 **HK$'000**	2009 HK$'000
Manufacturing and distribution of pharmaceutical products	**230,923**	327,582
Distribution of gene testing services	**253,024**	46,860
	483,947	374,442

8. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Interest income	204	172
Release of a bank loan and other liabilities pursuant to the Scheme	–	631,378
Sundry income	43	9
	247	631,559

9. SEGMENT INFORMATION

The Group has two reportable segments as follows:

(a) manufacturing and distribution of pharmaceutical products

(b) distribution of gene testing services

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

The accounting policies of the operating segments are the same as those described in note 4 to the financial statements. Segment profits or losses do not include dividend income, and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include convertible loans and derivative instruments. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

Notes to the Financial Statements

For the year ended 30 June 2010

9. SEGMENT INFORMATION (continued)

	Manufacturing and distribution of pharmaceutical products *(note)*		Distribution of gene testing services		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Years ended 30 June 2010 and 2009:						
Revenue from external customers	**230,923**	327,582	**253,024**	46,860	**483,947**	374,442
Segment (loss)/profit after tax	**(586)**	(5,069)	**11,621**	4,177	**11,035**	(892)
Additional disclosures for operating segments:						
Capital expenditure	**5**	4	**1,285**	397	**1,290**	401
Interest income	**6**	156	**6**	9	**12**	165
Interest expense	**332**	633	**3,862**	–	**4,194**	633
Depreciation	**83**	1,065	**300**	10	**383**	1,075
Income tax expense	**43**	122	**2,089**	968	**2,132**	1,090
At 30 June 2010 and 2009:						
Segment assets	**15,550**	11,530	**174,103**	119,348	**189,653**	130,878
Segment liabilities	**15,033**	10,595	**81,584**	19,689	**96,617**	30,284

Note: Since 19 December 2008, the Group's control over 上海德勝科技集團（安慶）製藥有限公司 had been lost due to the restructuring of the Group. As such, the Group's financial performance and position of the segment "Manufacturing and distribution of pharmaceutical products' for the Financial Year was solely arising from the trading of pharmaceutical products carried by the CJV in the People's Republic of China (the "PRC").

9. SEGMENT INFORMATION (continued)

	2010 HK$'000	2009 HK$'000
Years ended 30 June 2010 and 2009:		
Reconciliation of reportable segment profit/(loss), assets and liabilities:		
Profit/(loss)		
Total profit/(loss) of reportable segments	**11,035**	(892)
Corporate and others expenses	**(8,143)**	(20,521)
Elimination of intercompanies profit	**8,048**	744
Unallocated income:		
Other income	**236**	631,394
Gain on deconsolidation of the subsidiaries	**–**	134,516
Consolidated profit for the year	**11,176**	745,241
Assets		
Total assets of reportable segments	**189,653**	130,878
Corporate and others assets	**337,029**	9,361
Consolidated total assets	**526,682**	140,239
Liabilities		
Total liabilities of reportable segments	**96,617**	30,284
Corporate and others liabilities	**458**	2,027
Consolidated total liabilities	**97,075**	32,311

Notes to the Financial Statements

For the year ended 30 June 2010

9. SEGMENT INFORMATION (continued)

The Group's operations are principally located in Hong Kong and the PRC. The Group's revenue from continuing operations from external customers and information about its non-current assets and capital expenditure by geographical location of the assets are as follows:

	Revenue		Non-current assets		Capital expenditure	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong	**10,944**	30,385	**75,523**	40,706	**72**	734
The PRC	**473,003**	344,057	**1,792**	1,012	**1,258**	4
	483,947	374,442	**77,315**	41,718	**1,330**	738

10. GAIN ON DECONSOLIDATION OF THE SUBSIDIARIES

	2010	2009
	HK$'000	HK$'000
Gain on deconsolidation of the subsidiaries	**–**	134,516

As disclosed in note 2 to the 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, liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group.

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 deconsolidated subsidiaries	(1,127)

11. FINANCE COST

	2010 **HK$'000**	2009 HK$'000
Interest on bank loans	**184**	633

Notes to the Financial Statements

For the year ended 30 June 2010

12. INCOME TAX EXPENSE

	2010 **HK$'000**	2009 HK$'000
Current tax – Hong Kong Profits		
Tax Provision for the year	**2,371**	812
(Over)/under-provision in prior years	**(329)**	156
Current tax – The PRC		
Provision for the year	**90**	122
	2,132	1,090

Hong Kong Profits Tax has been provided at a rate of 16.5% (2009: 16.5%) based on the estimated assessable profit for the Financial 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 before tax is as follows:

	2010 **HK$'000**	2009 HK$'000
Profit before tax	**13,308**	746,331
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	**2,196**	123,145
Tax effect of net income that is not taxable and net expenses that are not deductible	**(94)**	(122,096)
Effect of difference in tax rates of subsidiaries operating in other jurisdictions	**30**	41
	2,132	1,090

Notes to the Financial Statements

For the year ended 30 June 2010

13. PROFIT FOR THE YEAR

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

	2010	2009
	HK$'000	HK$'000
Depreciation	**456**	1,093
Directors' emoluments	**1,450**	1,411
Operating lease charges of land and buildings	**2,840**	805
Auditor's remuneration	**530**	980
Cost of inventories sold	**227,157**	322,564
Loss on written off of property, plant and equipment	**4**	108
Impairment on an amount due from		
a deconsolidated subsidiary	**–**	3,226
Staff costs including directors' emoluments		
Salaries, bonus and other benefits	**6,906**	4,382
Retirement benefits scheme contributions	**800**	662
	7,706	5,044

Notes to the Financial Statements

For the year ended 30 June 2010

14. DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of each Director were as follows:

	Fee HK$'000	Salaries and discretionary bonus HK$'000	Other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of Directors					
Shen Xiaodong	**–**	**396**	**148**	**12**	**556**
Jiang Jian	**–**	**396**	**–**	**–**	**396**
Qin Yilong *(note a)*	**–**	**316**	**–**	**–**	**316**
Leung Wai Cheung *(note b)*	**63**	**–**	**–**	**–**	**63**
Zhang Huiming *(note c)*	**40**	**–**	**–**	**–**	**40**
Zhu Lijun *(note d)*	**38**	**–**	**–**	**–**	**38**
Chen Weijun *(note e)*	**39**	**–**	**–**	**–**	**39**
Jiang Di *(note f)*	**2**	**–**	**–**	**–**	**2**
Total for 2010	**182**	**1,108**	**148**	**12**	**1,450**
Tai Kai Hing	–	218	–	7	225
Choi Suk Ching	–	151	–	6	157
Shen Xiaodong	–	222	99	8	329
Jiang Jian	–	222	–	–	222
Chiu Koon Shou, Victor	148	–	–	–	148
Chung Wai Man	148	–	–	–	148
Leung Wai Cheung *(note b)*	172	–	–	–	172
Zhang Huiming *(note c)*	5	–	–	–	5
Zhu Lijun *(note d)*	5	–	–	–	5
Total for 2009	478	813	99	21	1,411

14. DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

Notes:

(a) Appointed on 9 September 2009

(b) Appointed on 9 July 2008 and resigned on 6 November 2009

(c) Appointed on 13 May 2009

(d) Appointed on 13 May 2009 and resigned on 9 June 2010

(e) Appointed on 6 November 2009

(f) Appointed on 9 June 2010

The five highest paid individuals in the Group during the year included three (2009: four) Directors whose emolument is reflected in the analysis presented above. The emoluments of the remaining two (2009: one) individuals are set out below:

	2010 **HK$'000**	2009 HK$'000
Basic salaries and discretionary bonus	**805**	321
Retirement benefit scheme contributions	**22**	7
	827	328

The emoluments fell within the following band:

	Number of individuals **2010**	2009
Nil – HK$1,000,000	**2**	1

During the year, no emoluments were paid by the Group to any of the Directors nor the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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For the year ended 30 June 2010

15. RETIREMENT BENEFIT SCHEMES

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

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

16. PROFIT 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$2,150,000 (2009: approximately HK$611,637,000) 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 Financial Year (2009: Nil).

18. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$11,262,000 (2009: approximately HK$745,205,000) and the weighted average number of ordinary shares of 10,370,381,987 (2009: 9,681,840,935 as restated to reflect the rights issue of the Company in May 2010) in issue during the Financial Year.

Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 30 June 2010.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP				
Cost or valuation				
At 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 and 1 July 2009	**924**	**549**	**380**	**1,853**
Additions	**–**	**983**	**347**	**1,330**
Disposals	**–**	**(247)**	**(380)**	**(627)**
Exchange differences	**15**	**3**	**–**	**18**
At 30 June 2010	**939**	**1,288**	**347**	**2,574**
Accumulated depreciation				
At 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 and 1 July 2009	**–**	**125**	**10**	**135**
Charge for the year	**–**	**347**	**109**	**456**
Written back on disposals	**–**	**(48)**	**(86)**	**(134)**
Exchange differences	**–**	**2**	**–**	**2**
At 30 June 2010	**–**	**426**	**33**	**459**
Carrying amounts				
At 30 June 2010	**939**	**862**	**314**	**2,115**
At 30 June 2009	924	424	370	1,718

Notes to the Financial Statements

For the year ended 30 June 2010

19. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
The analysis of the cost or valuation at 30 June 2010 of the above assets is as follows:				
At cost	**–**	**1,288**	**347**	**1,635**
At valuation	**939**	**–**	**–**	**939**
	939	**1,288**	**347**	**2,574**
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 carrying amount of the Group's buildings would have been approximately HK$939,000 (2009: approximately HK$924,000) had they been stated at cost less accumulated depreciation and impairment losses.

The Group's buildings were revalued by the Directors at 30 June 2010 on the open market value basis by reference to market evidence of recent transactions and cost of replacement for similar properties.

19. PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant and machinery HK$'000
THE COMPANY	
Cost	
Additions	337
At 30 June and 1 July 2009	**337**
Additions	**40**
At 30 June 2010	**377**
Accumulated depreciation	
Charge for the year	18
At 30 June and 1 July 2009	**18**
Charge for the year	**74**
At 30 June 2010	**92**
Carrying amounts	
At 30 June 2010	**285**
At 30 June 2009	319

Notes to the Financial Statements

For the year ended 30 June 2010

20. INVESTMENT IN A SUBSIDIARY

	THE COMPANY	
	2010	2009
	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 2010 are shown in note 34 to the financial statements.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Deposit for entering the distributorship rights *(note (a))*	**40,000**	40,000
Loans under the Franchise Agreements *(note (b))*	**35,200**	–
	75,200	40,000

Notes:

(a) On 2 May 2008, China United Gene Health Limited ("United Gene Health"), a subsidiary of the Group, entered into an exclusive distribution agreement for a period of five years with China United Gene Health Industry Limited ("China United") to act as the exclusive distributor of gene testing services in Hong Kong. On 12 August 2008, United Gene Health paid a non-interest bearing deposit of HK$40,000,000 to China United as a guarantee that the annual turnover of United Gene Health would meet the minimum annual sales figures (the "Sales Target") set out in the exclusive distribution agreement. Pursuant to a letter dated 16 March 2009, China United agreed to grant an additional non-exclusive right to United Gene Health for the distribution of gene testing services in the PRC. On 7 September 2009, China United agreed the Sales Target for the Financial Year to be maintained at the level of HK$60,000,000. For the Financial Year, United Gene Health has achieved the Sales Target.

Notes to the Financial Statements

For the year ended 30 June 2010

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes: (continued)

(b) United Gene Health entered into five franchise agreements (collectively the "Franchise Agreements" or individually a "Franchise Agreement") with five independent distributors, namely Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited (collectively the "Distributors" or individually a "Distributor") for a period of five years on 15 July 2009. Under the Franchise Agreements, United Gene Health (i) appointed the Distributors as its distributors for the gene testing services in the PRC; and (ii) advanced a non-interest bearing loans to the Distributors 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 (collectively the "Loans" or individually a "Loan"), for the sole purpose of soliciting business and organizing marketing activities as permitted by United Gene Health. An undertaking has been given to United Gene Health by each of the Distributors to generate annual sales attributable to the distribution of gene testing services in the PRC of not less than HK$24,000,000, HK$32,000,000, HK$32,000,000, HK$40,000,000 and HK$48,000,000 respectively (collectively the "Specified Amounts" or individually a "Specified Amount"). In the event that the sales generated by any Distributor in any one year is equal to or in excess of the Specified Amount relevant to that Distributor, United Gene Health agrees to waive the repayment of 20% of the Loan by the relevant Distributor, which would otherwise have to be repaid to United Gene Health within three business days after the review made by United Gene Health, pursuant to the relevant Franchise Agreement. In the event that the sales generated by any Distributor falls below the relevant Specified Amount for two consecutive years, United Gene Health will have the right to terminate the Franchise Agreement pertaining to the relevant Distributor and demand the repayment of the outstanding amount of the relevant Loan within three business days after giving the notice of termination. For the Financial Year, all the Distributors have achieved the Specified Amount and have generated total sales of approximately HK$232,746,000. As a result, the Group recognised 20% of the Loans, that is HK$8,800,000, as the selling expenses in the consolidated statement of comprehensive income for the Financial Year and offset the non-current prepayment by the same amount in the consolidated statement of financial position as at 30 June 2010.

22. INVENTORIES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Finished goods	**569**	2,393

Notes to the Financial Statements

For the year ended 30 June 2010

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	
	2010	2009
	HK$'000	HK$'000
30 days or less	**26,006**	2,724
31 to 60 days	**24,751**	921
61 to 180 days	**47,655**	562
Over 180 days	**1,014**	17
	99,426	4,224

As at 30 June 2010 and 2009, no allowance was made for the trade receivables.

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

	2010	2009
	HK$'000	HK$'000
Renminbi ("RMB")	**9,543**	4,224
Hong Kong dollars	**89,883**	–
	99,426	4,224

24. TRADE PAYABLES

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

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
30 days or less	**23,100**	13,157
31 to 60 days	**21,248**	9,779
61 to 180 days	**39,984**	1,189
Over 180 days	**2,745**	768
	87,077	24,893

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

	2010	2009
	HK$'000	HK$'000
RMB	**9,072**	5,406
Hong Kong dollars	**78,005**	19,487
	87,077	24,893

25. ACCRUALS AND OTHER PAYABLES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Accruals and other payables	**4,461**	3,547
Due to directors of subsidiaries	**1,946**	1,946
Due to a non-controlling shareholder	**850**	922
	7,257	6,415

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

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For the year ended 30 June 2010

26. DEFERRED TAXATION

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

	Revaluation of buildings HK$'000
At 1 July 2008	1,430
Charge to equity for the year	58
Exchange differences	7
Deconsolidation of subsidiaries	(1,495)
At 30 June 2009 and 2010	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$6,006,000 (2009: approximately HK$11,412,000) 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.

27. 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.

	2010 **HK$'000**	2009 HK$'000
Authorized :		
50,000,000,000 ordinary shares of HK$0.01 each *(Note a)* (2009: 10,000,000,000 ordinary shares of HK$0.01 each)	**500,000**	100,000
Issued and fully paid:		
12,164,508,062 ordinary shares of HK$0.01 each (2009: 6,082,254,031 ordinary shares of HK$0.01 each)	**121,645**	60,823

27. SHARE CAPITAL (continued)

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

	Number of shares issued	Share capital HK$'000
As at 1 July 2008	217,574,240	2,176
Shares issued pursuant to subscription/placing agreements *(Note b)*	5,864,679,791	58,647
As at 30 June and 1 July 2009	**6,082,254,031**	**60,823**
Shares issued pursuant to rights issue *(Note c)*	**6,082,254,031**	**60,822**
As at 30 June 2010	**12,164,508,062**	**121,645**

Notes:

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

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

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

(c) On 19 March 2010, the Company entered into an underwriting agreement with Best Champion Holdings Limited, the substantial shareholder of the Company, and Grand Investment (Securities) Limited, both acting as underwriters, to fully underwrite the proposed rights shares given to the shareholders of the Company on the basis of one rights share for every existing share in issue, which would result in the issue of 6,082,254,031 new ordinary shares of HK$0.01 each on 20 May 2010, at the subscription price of HK$0.052 per rights share. It had raised net funds of approximately HK$310.4 million upon completion of the rights issue after deducting the total rights issue expenses of approximately HK$5.9 million.

Notes to the Financial Statements

For the year ended 30 June 2010

28. 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 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	*27*	91,295	–	–	91,295
At 30 June 2009		476,544	104,915	(539,710)	41,749
At 1 July 2009		**476,544**	**104,915**	**(539,710)**	**41,749**
Profit for the year	*16*	**–**	**–**	**2,150**	**2,150**
Shares issued pursuant to rights issue	*27*	**249,579**	**–**	**–**	**249,579**
At 30 June 2010		**726,123**	**104,915**	**(537,560)**	**293,478**

28. RESERVES (continued)

(c) Nature and purpose of reserves

(i) *Share premium account*

Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) 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 recommendation of the directors of the subsidiary. 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 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 financial statements.

(vi) Distributable reserves of the Company as at 30 June 2010 amounted to approximately HK$188,563,000 (30 June 2009: nil).

Notes to the Financial Statements

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29. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 30 June 2010 (2009: nil).

30. CAPITAL COMMITMENTS

As at 30 June 2010, the Group had the significant capital commitment as follows:

	2010 **HK$'000**	2009 HK$'000
Property, plant and equipment contracted but not provided for	**209**	–

31. LEASE COMMITMENTS

As at 30 June 2010, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2010 **HK$'000**	2009 HK$'000
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
– within one year	**2,128**	1,610
– In the second to fifth years inclusive	**–**	1,014
	2,128	2,624

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.

32. 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:

	2010 **HK$'000**	2009 HK$'000
Management services income received from a holding company	**43**	9
Sale of property, plant and equipment to a related company *(note)*	**197**	–

Note: One of the director of the related company is a common director of the Company.

33. EVENTS AFTER THE REPORTING PERIOD

Acquisition of the 70% equity interest in a PRC company

On 9 July 2010, United Gene Health entered into a share transfer agreement and supplemental agreement with the independent third parties to purchase a total of 70% equity interest of CNL (Pinghu) Biotech Co. Ltd. ("CNL (Pinghu)") at a consideration of RMB15.12 million. CNL (Pinghu) is established in the PRC with limited liability and principally engaged in the business of wholesaling bone chips in the PRC. On 9 September 2010, United Gene Health injected the further capital investments of RMB15.88 million into CNL (Pinghu) upon completion of the share transfer. The balance of RMB4 million will be injected upon the release of the audit financial statements of CNL (Pinghu) for the year ended 31 December 2010.

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34. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation/ registration	Registered/ Issued/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	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%	Investment holding
Perfect Allied Holdings Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
United Gene Health Care Investment Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
聯合基因(上海)健康管理服務有限公司 *(note b)* (United Gene HealthCare Limited, Shanghai)	PRC	Registered capital of HK$20M	–	100%	Provision of health care management services

34. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (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 management 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.

35. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of Directors on 27 September 2010.

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				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**483,947**	374,442	317,041	83,111	32,028
Profit/(loss) before tax	**13,308**	746,331	(68,546)	(64,131)	(52,953)
Income tax expenses	**(2,132)**	(1,090)	(33)	(10)	–
Profit/(loss) for the year	**11,176**	745,241	(68,579)	(64,141)	(52,953)
Attributable to:					
Equity holders of the Company	**11,262**	745,205	(68,621)	(64,150)	(52,953)
Non-controlling interests	**(86)**	36	42	9	–
	11,176	745,241	(68,579)	(64,141)	(52,953)

	As at 30 June				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**77,315**	41,718	34,751	35,840	34,953
Current assets	**449,367**	98,521	18,764	9,714	12,890
Current liabilities	**(97,075)**	(32,311)	(840,555)	(762,220)	(700,935)
Non-current liabilities	**–**	–	(1,430)	(1,637)	(1,427)
Net assets/(liabilities)	**429,607**	107,928	(788,470)	(718,303)	(654,519)
Attributable to:					
Equity holders of the Company	**429,142**	107,386	(788,976)	(718,517)	(654,519)
Non-controlling interests	**465**	542	506	214	–
Total equity	**429,607**	107,928	(788,470)	(718,303)	(654,519)