

HISTORY AND DEVELOPMENT

The Group was founded by Dr. Yeung and Ms. Margaret Tsui in January 2001 and has engaged in the medical business relating to diagnosis, and particularly relating to diagnosis of cancerous, prenatal and other major diseases.

On 11 January, 2001, 3 Ben was incorporated in the Republic of Mauritius to engage in research and development studies on cancer diagnosis and treatment using technology developed by Dr. Yeung. On the same date, one subscriber share of US\$1.00 was allotted and issued to each of Unique Prosperity Limited and Century Year Company Limited for cash at par which were both subsequently transferred to New Oxford Management Limited on 9 June, 2001 for cash at par.

On 16 January, 2001, 3 Ben entered into an agreement with ISIS whereby ISIS agreed to supply to 3 Ben the PDx Technology for the purposes of conducting a technical and commercial evaluation of the technology and granted an option to 3 Ben or its nominee the right to take a licence in respect of the PDx Technology in certain countries.

In March, 2001, the Chinese University invited the Group to obtain the licence for the right to use its research findings on the analysis of certain genetic members in blood plasma or serum for prenatal diagnosis covering X-linked diseases, foetal abnormalities and pregnancy associated conditions. The Group saw this as an opportunity to further strengthen its position in the market and responded to such invitation. Plasmagene was finally granted an exclusive licence by the Chinese University on 4 June, 2001.

On 23 March, 2001, Plasmagene, the major operating subsidiary of the Group, was incorporated in Hong Kong. On the same date, two subscriber shares were transferred to Dr. Yeung and Mr. Wong King Yeung for cash at par. On 30 August, 2001 the authorised share capital of Plasmagene was increased from HK\$10,000 to HK\$4,000,000 by the creation of an additional 3,990,000 shares of HK\$1.00 each by written resolution.

On 29 May, 2001, Plasmagene was granted a non-exclusive licence by F. Hoffmann - La Roche Limited, a drug manufacturer based in Switzerland to use the polymerase chain reaction technique to facilitate the detection of a genetic marker known as EB virus DNA in blood plasma or serum. Normally, a blood sample consists of a limited amount of DNA that can be used for diagnostic purposes. With the use of the polymerase chain reaction technique, the amount of DNA in a blood sample can be multiplied millions of times, and thereby facilitating the diagnostic study and detection of certain cancerous diseases associated with the EB virus.

On 13 July, 2001, 3 Ben allotted and issued 53 and 45 shares of US\$1.00 each to each of New Oxford Management Limited and Spring Biotech respectively. On 21 November, 2001, New Oxford Management Limited transferred 5 shares in 3 Ben (representing 5% of the issued share capital) to Century Year Company Limited.

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By August 2001, the Group's laboratory at Room 301, Institute of Biotechnology Administration and Research Building, 2 Biotechnology Avenue, 12 Miles, Tai Po Road, Shatin, New Territories, Hong Kong began operations. Research and implementation of diagnostic services developed from the PDx Technology were carried out at the laboratory. On 31 August, 2001, Plasmagene allotted and issued an aggregate of 3,999,998 shares of HK\$1.00 each to New Oxford Management Limited (a wholly owned subsidiary of Century Year Company Limited which in turn was then wholly and beneficially owned by Dr. Yeung and Ms. Margaret Tsui) as to 2,355,998 shares, Vanbarry Corporation as to 494,000, Mr. Cheung Lam Hung as to 570,000 shares, Ms. Mabel Leung as to 380,000 shares, Professor Lo as to 160,000 shares and The Chinese University of Hong Kong Foundation Limited as to 40,000 shares. Following such issues of shares in Plasmagene, it was beneficially owned as to 58.9% by New Oxford Management Limited, 14.25% by Mr. Cheung Lam Hung, 12.35% by Vanbarry Corporation, 9.50% by Ms. Mabel Leung, 4.00% by Professor Lo and 1.00% by The Chinese University of Hong Kong Foundation Limited.

In November 2001, the Group launched its first testing service known as *EBgene* in Hong Kong. Since its launch, this line of product has generated steadily increasing revenue for the Group. Therefore, the Directors expect this new line of product to be well received by the market, including public health organisations and oncologists in Hong Kong.

Under a letter of authorisation dated 1 January, 2002, Spring Biotech (China) Limited was authorised by Plasmagene as its sole agent to use the technology licensed to it by Plasmagene in the PRC. The authorisation was subsequently replaced by an agreement dated 25 February, 2002 entered into between Plasmagene as the sub-licensor and Spring Biotech (China) Limited, an indirect wholly owned subsidiary of Town Health, as the sub-licensee whereby Plasmagene granted to Spring Biotech (China) Limited an exclusive sub-licence to use the PDx Technology for production, sale and other commercial exploitation of any product and services developed from such technology for detecting cancerous diseases in the PRC. The agreement was for a term of three years expiring on 24 February, 2005. The agreement was terminated by mutual agreement on 2 March, 2004.

Later in January 2002, the Group launched its second testing service known as *EBeasy*, which like *EBgene*, is based on detection of EB virus DNA in blood plasma. This testing service is a symptomatic screening test which gives either a positive or negative result in the detection of EB virus associated cancer. It has the same sensitivity and specificity in detecting EB virus associated cancer as that of *EBgene*. The *EBeasy* test is done in a batch, meaning that there may be a few days' delay in reporting the test results. *EBeasy* is a lower priced test than *EBgene* and is prescribed as a routine test to facilitate diagnosis by physicians in their daily practice. Studies into the underlying technologies of *EBgene*, laboratory test trials, and regulatory requirements are also carried out prior to its launch.

Celltech was incorporated in Hong Kong on 25 January, 2002. On the same date, one subscriber share of HK\$1.00 par value was allotted and issued to each of Honorway Secretaries Limited and Honorway Management Limited for cash at par which were subsequently transferred to each of New Oxford Management Limited and Spring Biotech, respectively on 22 February, 2002 for cash at par. On 22 February, 2002, Celltech allotted and issued 48 and 50 shares of HK\$1.00 each to each of New Oxford Management Limited and Spring Biotech respectively for cash at par. It is currently dormant.

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On 15 March, 2002, the Group was granted an exclusive worldwide licence by the Chinese University pertaining to the prolonged efforts of Professor Lo and his collaborators in the finding of using EB virus DNA as a test for stomach cancer.

On 27 March, 2002, Mr. Chung Hil Lan Eric acquired 180,000 shares in Plasmagene from Ms. Mabel Leung and Mr. Cheung Lam Hung acquired 332,904 and 67,096 shares in Plasmagene from New Oxford Management Limited and Vanbarry Corporation respectively. Subsequent, Mr. Cheung Lam Hung disposed his entire 970,000 shares in Plasmagene to Spring Biotech on the same date.

On 23 April, 2002, the Group formed a strategic alliance with the Town Health group to jointly launch a community research programme through entering into an agreement between Spring Biotech and Plasmagene whereby Plasmagene would provide consultancy services to Spring Biotech in respect of tests for EB virus associated stomach cancers, early liver cancer and nasopharyngeal carcinoma. Later in May and June 2002, the Group and the Town Health group jointly launched two additional community research programmes offering blood tests for detection of liver cancer for hepatitis carriers. The programmes were well received with around 600 members of the public enrolling in the programme.

On 30 April, 2002, Chemosino International Limited was incorporated in the British Virgin Islands.

On 21 May, 2002, the Group was granted a licence by the Chinese University to use a special methodology known as DNA methylation analysis to facilitate the finding of the presence of DNA in blood plasma or serum for detecting foetal maternal diseases.

On 20 June, 2002, Mr. Chung Hil Lan Eric disposed his entire 180,000 shares in Plasmagene to Spring Biotech.

On 31 July, 2002, the Group was granted an exclusive licence by the Chinese University to use a special methodology to quantify a genetic marker known as beta-globin DNA in a blood sample for developing diagnostic tests for stroke. Given that stroke is a common and devastating disease especially amongst Chinese populations, this licensed methodology is expected to attract a high demand in Hong Kong and overseas. On the same date, the Group was granted an exclusive worldwide licence by the Chinese University pertaining to the use of a specific methodology to isolate certain genetic markers such as RNA and DNA in the blood plasma or serum to facilitate detection of prenatal and cancerous diseases. The Directors expect that the new methodology will assist the Group in broadening the types of testing services to be offered for instance, test for liver and prostate cancer and test for Down's syndrome.

In August 2002, the Group launched its third testing service called *EBcombo*, which combined the traditional methodology of testing EB virus associated cancer using antibodies that shows the history of infection and *EBeasy* which shows the presence or absence of cancer on a real time basis.

On 6 August, 2002, 1 share of US\$1.00 each was allotted and issued to Dr. Yeung for cash at par which was subsequently transferred by Dr. Yeung to the Company for cash at par on 14 August, 2002.

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On 15 August, 2002, the Group was granted a licence by the Chinese University (please refer to the description of the licence numbered 7 in the table under the subsection headed “Intellectual property” in this section for further details of this licence) to use the latter’s research findings for analysing a genetic marker known as beta-globin DNA to diagnose the cause of a medical condition known as pleural effusion, which refers to a large amount of fluid present at the lung surface that may cause shortage of breath and lung failure. It is known that this condition may be caused by cancer, infection and heart failure.

On 6 September, 2002, the authorised share capital of Plasmagene was increased from HK\$4,000,000 to HK\$15,000,000 by the creation of an additional 11,000,000 shares of HK\$1.00 each. On the same date, 8,000,000 shares of HK\$1.00 each in Plasmagene was allotted and issued as to 4,046,192 shares to New Oxford Management Limited, as to 2,300,000 shares to Spring Biotech, as to 853,808 shares to Vanbarry Corporation, as to 400,000 shares to Ms. Mabel Leung, as to 320,000 shares to Professor Lo and as to 80,000 shares to The Chinese University of Hong Kong Foundation Limited on capitalisation of Shareholders’ loan in an aggregate amount of HK\$8,000,000 owned by Plasmagene to each of shareholders. Following the issue of shares in Plasmagene, it was beneficially owned as to 50.58% by New Oxford Management Limited, 28.75% by Spring Biotech, 10.67% by Vanbarry Corporation, 5% by Ms. Mabel Leung, 4% by Professor Lo and 1% by The Chinese University of Hong Kong Foundation Limited.

On 7 September, 2002, a written resolution was passed by all shareholders of Celltech approving the subdivision of the nominal value of the entire share capital of Celltech from HK\$1.00 each to HK\$0.01 each. On 7 September, 2002, a written resolution was passed by all shareholders of 3 Ben, approving the subdivision of the nominal value of the entire share capital of 3 Ben from US\$1.00 each to US\$0.01 each.

In September 2002 and June 2003, the Group underwent a corporate reorganisation involving the setting up of a new holding company of the Group for the purposes of its Listing and to facilitate future fund raising activities. As a result of the Reorganisation, the Group’s existing organisational structure was established, the Company became the holding company of the Group, and Ms. Margaret Tsui, Dr. Yeung, and other Initial Management Shareholders together with Professor Lo and The Chinese University of Hong Kong Foundation Limited became Shareholders.

On 25 November, 2002, Plasmagene was granted a licence by the Chinese University to use the gastric disease detection system for detecting a genetic marker known as EB virus DNA in stomach cancer. A new product to be developed from this licensed methodology known as EB gastric for detecting stomach cancer is expected to be launched in the third quarter of 2004 in Japan where there has been a high number of such diseases. Pre-launch commercialisation work had not commenced.

In November and December 2002, the Group and Spring Biotech jointly conducted a community research programme for screening test for cancer. The programme was successful with a high participation by volunteers who took blood samples for trial tests for the screening test for cancer to be carried out in January 2003. These trial tests were carried out by the Group’s laboratory personnel.

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The trial test results from the programme served as primary data for further research activities. As Spring Biotech is an Initial Management Shareholder, the community research programme jointly conducted with Spring Biotech will constitute a connected transaction for the Company under the GEM Listing Rules after the Listing.

In December 2002, the Company issued to the Noteholders Convertible Notes of an aggregate principal amount of HK\$21.5 million. These Noteholders include The Applied Research Council, MCVIL, JAIC, JAIC Technology, and a group of five individual investors.

In February 2003, the laboratory of the Group was relocated from Shatin, the New Territories to Central, Hong Kong.

In March 2003, the Group was granted an exclusive license by the Chinese University in relation to the PDx Technology which specifies which RNA (hCG (human chorionic gonadotropin) and HPL (human placental lactogen)) are used to identify foetal diseases including pre-eclampsia, trisomy 18 and Down's syndrome. The Group's foetal maternal tests would be based on this license. The test for Down's syndrome is expected to be launched in the third quarter of 2004 in Hong Kong and the PRC.

On 6 June, 2003, the Group entered into a research collaboration agreement with the Chinese University for the conduction of a research regarding the treatment and diagnosis of SARS.

On 15 October, 2003, the Group was granted by the Chinese University a non-exclusive licence regarding the use of technology for early diagnosis of SARS.

In early November, 2003, the Group has successfully completed the development of a kit form of the test *EBgene* in the Group's laboratory. The kit form comprised of a detail user manual and all the necessary reagents for a simple and off the shelf testing of EB virus DNA by customers.

On 28 November, 2003, the Group has filed for pre-marketing approval registration of the test kit of *EBgene* to the Food and Drug Administration of the US followed two weeks later by a similar application to the State Food and Drug Administration of the PRC. This would pave the way for overseas sales of this product if these applications were to be successful.

In January 2004, the Group has prepared and sent application for a humanitarian utilization device classification from the Food and Drug Administration on *EBgene* for the diagnosis of nasopharyngeal cancer.

On 2 March, 2004, the Group and Spring Biotech (China) Limited mutually agreed to terminate the licencing agreement dated 25 February, 2002 due to a change in the marketing strategy of the Group in respect of the PRC market from a focus of operating testing services in the PRC to a focus on the sale of test kits.