BUSINESS OBJECTIVES AND STRATEGIES

The Group's overall business objective is to become a prominent medical diagnostics company that utilises the detection of genetic materials in a non-invasive manner for all the major disease categories. The Directors consider that with the Group as one of the companies in the world offering cancer tests based on the detection of EB virus DNA in blood plasma, the Group is in the progress of a long way into achieving its objectives.

The Group plans to advance and commercialise the diagnostic and screening technology for the early detection of prenatal and cancerous diseases as well as other major illnesses through the expansion of its research capability and establishment of strategic alliances with other life science research organizations and/or pharmaceutical companies in the world. At the same time, the Group will build upon its knowledge in the prenatal and cancer diagnostic field in practical and commercial clinical applications to increase its range of testing services offered to the market. The Group aims to establish its existing and future testing services as the preferred tests for foetal and cancerous diseases in the Asian region through gradual recognition of its testing services by the medical community and patients. At the same time, the Group intends to market its existing cancer testing services, namely, *EBgene*, *EBeasy* and *EBcombo* in China in the next two years. The Directors anticipate a good prospect in these markets given that nasopharyngeal and EB virus associated stomach cancers are common diseases in the Chinese communities.

The Group intends to expand geographically and offer its testing services to the international market initially covering China, Australia and Japan, and in the longer term, on a worldwide basis. In particular, the Group plans to sub-license the PDx Technology to laboratories and hospitals in Japan, Australia and the PRC. The royalty fees payable to the Group will be based on sales generated by the sub-licensees which will be responsible for keeping complete and accurate accounts of licensed products. In order to ensure completeness and accuracy of the royalty income calculation, it is intended that the Group will have access to the audited financial statements of the sub-licencees.

In order to achieve the Group's business objectives, the Directors have formulated the following strategies:

— **continuing the Group's commitment to research and development in medical diagnostic industry**

In order that the Group is kept abreast of the latest developments in the medical diagnostic industry, the Group's research and development will be strengthened in a three-pronged approach. First, the existing Consultancy Arrangement between the Group and Professor Lo and the Right of First Refusal Agreement will continue to serve as a strong research support to the Group. (Please refer to the section headed "Relationship with Professor Lo and the Chinese University" for further details.) Secondly, the Group's own research team will carry out research activities on programmes selected on the basis of practicality and ease of commercialisation to ensure that the Group's research methodology is ahead of its competitors. These in-house research programmes relate to the detection of prostrate cancer, colon cancer and cancer in general. The Group's research teams will also carry out research activities focusing on post

market clinical research to allow the Group to further improve its existing testing services in terms of accuracy of the tests and shortening the length of time to produce test results. Thirdly, the Group will seek opportunities to acquire third party diagnostic technologies to complement the Group's research capabilities.

— **establishing alliances with strategic partners**

The Group intends to establish alliances in Hong Kong with major local laboratories for marketing the Group's testing services to their customers, who are mainly doctors and laboratories. The Directors believe that such alliances will represent effective marketing tools which will allow the Group's product to reach local doctors who are frequent users of laboratories. When an alliance that is commercially beneficial to both parties is established with certain key laboratories, they will likely market the Group's testing services to their own customers and end-users. In Hong Kong, laboratories usually retain a list of doctors that are routinely sending laboratory business to them. The Directors consider that it would be easier to market to these doctors through alliances with the laboratories rather than by the Group on its own. The Group also plans to establish strategic alliances with leading physicians in the obstetrics and oncology fields and medical institutions in Hong Kong to use the Group's testing services for diagnosing their patients. At the same time, the Group will explore forming alliances with major international medical insurance providers with a view to introducing the Group's testing services to medical insurance policies for individuals classified as high risk, meaning those individuals who have a strong family history of certain cancers as well as those with medical conditions that may lead to or develop into cancer, such as gastritis and hepatitis carriers. This exploration entails a detailed explanation of the capability of the Group's testing services in helping to minimise the risk of the insurance companies, but at the same time offering certain health assurance to individuals that will be signing up for health and life insurance.

— **developing future testing services**

Based on the focused line of business in the PDx Technology, the Group will continue to develop future testing services that suit different needs of its customers, for instance, different priced testing services to suit a wider range of customer population while maintaining the strict criteria of being non-invasive, accurate and sensitive. For example, these PDx Technology tests may include the testing of DNA, RNA, genetic and epigmatic markers for other common cancers.

— **expanding geographically to China, Australia and Japan**

The Group plans to expand its business scope geographically initially to neighbouring countries. In Asia, the Group will target initially China, Australia and Japan as each of these countries has its own endemic disease categories for which the Group's testing services can be applied. An example of this would be in China where the anticipated use of the Group's tests would be for liver cancer, a disease which had in the past been ranked as one of the diseases with the highest mortality. In Australia, pregnant women who are rhesus factor negative are usually recommended to undergo a rhesus factor test to detect the likelihood of haemolytic diseases of the newborn. Accordingly, the Group's *Rhesus D test* is being developed to cater for such demands. The test is expected to be launched in January 2005. Additionally, the Group's EB virus

associated cancer tests, namely, *EBgene, EBeasy* and *EBcombo* are expected to attract considerable demand in Japan where there has traditionally been a high incidence of stomach cancer. Other than setting up laboratory facilities and sub-licensing, the Group can also expand its business geographically by setting up representative offices, distribution through forming alliances and offering the testing services in kit form. The Group's website at *www.plasmagene.com* provides easy access for its customers to order the Group's testing services through the Internet and for delivery of blood specimens to its laboratory in Hong Kong.

The geographical expansion will be carried out in two folds. First, the Group will lease laboratory facilities in Australia and Japan for offering the Group's testing services. Technicians at these laboratories will collect and deliver blood samples to the Group's laboratory in Hong Kong for further handling. Afterwards, test results will then be delivered to the overseas laboratories. Secondly, the Group plans to sublicense the use of the PDx Technology (to the extent possible) and where appropriate, other technologies underlying the Group's testing services from time to time to overseas laboratories and hospitals. The Group will charge a sub-license fee based on sales generated from the use of such technologies.

The Directors understand that the Group has to apply for the registration of the formula of the test kits to be exported to countries including Japan and the PRC. If the Group seeks to perform testing service in those countries, the testing facilities have to meet the licensing requirements of those countries. The Directors believe that there is normally a minimal lead time for meeting the compliance requirements for testing facilities, while a lead time of approximately six months to one year is required for registration of test kits to be exported to those countries. The Group also has to engage an agent that is able to perform the necessary language translation and preparation of the test kits registration papers.

The Directors are of the view that regulatory compliance would not be a major obstacle with respect to the Group's geographical expansion plan both in terms of timing and compliance capability since the Directors have seen new in vitro tests, which the Group's products are labelled, constantly being added and changed in all the countries mentioned above.

— **expansion of sales and marketing efforts**

The Group plans to appoint local laboratories in the Asian region to market the Group's testing services. These laboratories will introduce and market the Group's testing services to their customers that are mainly doctors, and collect blood samples for onward delivery to the Group's laboratory in Hong Kong. Local laboratories usually have territorial advantages as well as their own list of doctors that utilise their facilities. As mentioned before, once a commercial alliance is formed which is beneficial to both parties, these laboratories will market the Group's products to doctors on their lists that have used their services. In this way, marketing effort for the Group will be lessened. These overseas laboratories will be paid a commission calculated as a percentage of the sales of the testing services. The Group initially intends to target the relatively affluent communities in the Asian region such as Australia and Japan.

FUTURE TESTING SERVICES

Based on the focused line of business in utilising the PDx Technology, Plasmagene is in an advanced stage of its research and development for diagnosis and screening of prenatal and cancerous diseases. As at the Latest Practicable Date, the Group has over 11 future testing services in the pipeline that are expected to be launched in the coming two years subject to the successful conclusion of research and trial stages. The Group plans to introduce a number of future testing services, as described below, during the current financial year and the two years thereafter.

Cancerous diseases

Product type	Description
Test for liver cancer	This product is being field tested to reconfirm its usefulness in diagnosing hepatitis-related liver cancer in the early stages when resection may cure this disease. This test is expected to be used on patients on a quarterly or half-yearly basis. This test may be used to supplement the detection of early liver cancers that are missed by traditional tests. The test for liver cancer is distinct from the Group's existing cancer testing services that are suitable for detecting nasopharyngeal cancers and stomach cancers. Product name: *Inkgene 16* or *tumoral p16 DNA methylation* Markets where this product is to be offered: Hong Kong China, Japan and Australia
Screening test for cancer	This product is under research and is aimed to detect cancer through the analysis of the presence of certain RNA in blood plasma or serum which is linked to cancerous diseases. Product name: *RNA test, GAPDH test* Market where this product is to be offered: Hong Kong
Test for prostate cancer	This product detects a genetic marker known as the *GSTP1* gene. The *GSTP1* gene is methylated in around 90% of prostate cancer cells. Product name: *GSTP1 test* Market where this product is to be offered: Hong Kong
Test for stomach cancer	This product combines the underlying technology of *EBgene* and *EBeasy* with the traditional test for bacteria causing gastritis. Product name: *EBgastric* Market where this product is to be offered: Japan

Product type	Description
Sensitive test for NPC suitable to check for recurrence	This product is at its last stage of development. It will increase the sensitivity of *EBgene* by a factor of three to four times. It will be used for those patients who have completed their NPC treatment and are being monitored for early recurrence. Once the test is positive, the patient can undergo other imaging services so that early treatment of the recurrence can be done. Product name: *EBsens* Markets where this product is to be offered: Hong Kong, China, Japan and Australia
Screening test for the cancer potential of patients harboring EBV reactivations	This product is still at an early stage of research that will tell the cancer developing potential of those patients harboring seemingly benign EBV reactivation. The single nucleotide change in three areas in a section of the EB virus gene has been implicated as a frequent finding in cancer patients. This test will widen the general screening use of the EBV test for a variety of cancer patients besides nasopharyngeal cancer. Product name: *EBonco* Markets where this product is to be offered: Hong Kong, China, Japan and Australia.

Foetal maternal diseases

Product type	Description
Foetal sex test for X-linked diseases	By using maternal blood, this product allows the determination of the sex of the foetus for use in the prenatal investigation of X-linked diseases. The results of this test are close to 100% accurate. Foetal sex determination has successfully been performed on pregnancies from 12 to 40 weeks of gestation during clinical trials. Product name: XY gene Markets where this product is to be offered: Hong Kong, Japan and Australia

Foetal maternal diseases

Product type	Description
Rhesus D test	Rhesus factor is a group of antigens that may or may not be present on the surface of red blood cells. Most people have the rhesus D factor, that is, they are rhesus D positive. People who lack the factor are termed rhesus D negative. Incompatibility between the rhesus D status of the mother and her unborn fetus is an important cause of haemolytic disease of the newborn. As around 16% of Caucasian pregnancies are rhesus D negative, this test is mostly suited for pregnant Caucasian females. The Rhesus D test detects the rhesus D status of the foetus and would result in the avoidance of invasive testing such as amniocentesis. Product name: *Rhgene* Markets where this product is to be offered: Australia and Japan
Test for Down's syndrome	By using a maternal blood test, this test is expected to allow the diagnosis of Down's syndrome at an early stage of pregnancy. Product name: Not yet named Markets where this product is to be offered: Hong Kong, the China, Japan and Australia

Other illnesses

Product type	Description
Test for organ transplant failure, trauma and stroke	This test will be used for patients who have suffered from trauma and stroke to assess the disease condition and to give prognostic indication as to how the patients may respond to certain treatment. Research is also underway to evaluate the possible use of this test to identify patients who may be at risk of developing stroke. Product name: *Cgene* Markets where this product is to be offered: Hong Kong, Japan and Australia
Test for pleural effusion	This product is used to diagnose the cause of pleural effusion and determine whether it is caused by cancer, infection or heart failure. Product name: *PEgene* Market where this product is to be offered: Hong Kong

The current research trial status and the anticipated commercial launch date of the Group's future testing services are depicted below.

Product type	Initial proof of medical value	Patent filing	Laboratory and clinical testing	Field testing and community research	Expected launch date
Test for liver cancer	Completed	Not yet begun	Completed	Underway	October 2004
Test for organ transplant failure, trauma and stroke	Completed	Completed	Completed	Completed	July 2004
Test for stomach cancer	Completed	Completed	Completed	Completed	September 2004
Test for pleural effusion	Completed	Completed	Completed	Completed	July 2004
Test for prostate cancer	Completed	Not yet begun	Underway	Not yet begun	January 2006
Screening test for cancer	Completed	Completed	Underway	Not yet begun	November 2005
Rhesus D test	Completed	Completed	Completed	Completed	January 2005
Test for Down's syndrome	Completed	Completed	Underway	Not yet begun	September 2004
Foetal sex test for X-linked diseases	Completed	Completed	Completed	Underway	September 2004
Sensitive test for NPC suitable to check for recurrence	Completed	Completed	Underway	Not yet begun	September 2004
Screening test for the cancer potential of patients harboring EBV reactivations	Completed	Completed	Underway	Not yet begun	April 2005

Note: The above tests are distinct from the Group's existing cancer testing services that are suitable for detecting nasopharyngeal cancers and stomach cancers.

The Group's research, laboratory and clinical testing, field testing and community search programmes for new products are conducted by its own R&D staff. For performing field and community research programmes, supporting staff from the administration division of the Group would provide assistance with the set up and logistics of such operations.

Advantages of the Group's future testing services over similar testing services in the market

The Group's testing services under development in the cancer diagnosis field are intended to facilitate early detection that is critical for cancerous diseases, and are expected by the Directors to be less expensive and more effective than conventional screening testing services such as PET scan or CT scan. The Group's existing testing services are priced in the range from around HK$250 to HK$750, as compared to a PET scan or CT scan which normally costs about ten times more. The Group's *EBgene* testing service is 96% sensitive in detecting all nasopharyngeal cancer cases and if test result is positive, 93% specific to the disease it is meant to detect. This compares with slightly over 90% in terms of sensitivity (in the samples that are all positive being the percentage that can be detected by the test) and specificity (in the numbers detected as positive by the test being the percentage of the actual ones with the disease) using a PET scan. Particularly, the Group's concertising services serve as a preliminary diagnosis of cancerous diseases. If the test results are positive, the patient can be given the PET scan or a CT scan to confirm the diagnosis and location of the cancer. A further example of this is the Group's test for liver cancers that is expected to improve the current early liver cancer detection of below 10% to over 60%, and supplement the existing screening methods using the ultrasound technique.

The Directors consider that the Group's foetal tests used for the detection of X-linked diseases and Down's syndrome are expected to have the advantages of being safer, cheaper and more sensitive than the alternative diagnostic procedures currently available on the market. These testing services use a blood test that is expected to give results that are close to 100% accuracy.

IMPLEMENTATION PLANS

From the Latest Practicable Date to 30 June, 2004

Strategic development

— to seek opportunities from SARS test and the planning of worldwide campaign of test for Down's[1] syndrome.

Research and product development

— to complete field testing and community research of the Group's test for liver cancer[2];

— to continue laboratory and clinical testing of the Group's test for prostate cancer[3] and *EBonco*[9];

— to complete laboratory and clinical testing of the Group's screening test for cancer and *EBsens*[8];

— to continue the refinement of test for Down's syndrome[1];

Sales and marketing

— to launch the Group's SARS test in Hong Kong and the PRC, by first establishing and set product standards in its laboratory for this test and then market the test to the appropriate end users, such as doctors in the specialised field. The marketing of SARS will target government agencies and will only commence if there is a SARS reoccurrence;

Period from 1 July, 2004 to 31 December, 2004

Strategic development

— to seek opportunities to acquire third party diagnostic technologies to complement the Group's research capabilities;

Research and product development

— to start the field testing and community research of the Group's screening test for cancer;

— to complete the laboratory and clinical testing of the Group's test for prostate cancer[3] and *EBonco*[9];

— to complete the field testing and community research relating to the Group's *EBcombo* test;

— to complete the refinement of test for Down's syndrome[1];

Sales and marketing

— to launch the Group's test for pleural effusion[4], organ transplant failure, trauma[5] and stroke[6] and test for betaHCG[1] and HPL[1] in Hong Kong by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to launch the Group's test for liver cancer[2] in Hong Kong, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to launch the Group's test for stomach cancer and organ transplant failure, trauma[5] and stroke[6] in Japan, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to launch the foetal sex test for X-linked diseases and *EBgastric*[7] in Hong Kong, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to launch the Group's *EBgene*, *EBeasy* and *EBcombo* in PRC and Japan, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to launch the sensitive test for NPC by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to provide easy access for its customers to order the Group's testing services through the Internet and for delivery of blood specimens to its laboratory in Hong Kong by the Group's website;

— to launch the Group's test for Down's syndrome[1] and *EBsens*[8] in Hong Kong and the PRC, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

Period from 1 January, 2005 to 30 June, 2005

Strategic development

— to form strategic alliances with biotechnology companies to carry out research into new testing methodologies for detection of critical illnesses. Companies in Hong Kong and the PRC will be the primary target for such an alliance because exchange of information and technologies would be easier;

— to lease laboratory facilities in Australia and Japan for offering the Group's testing services. Technicians at these laboratories will collect and deliver blood samples to the Group's laboratory in Hong Kong for further handling. Testing results will subsequently be delivered to the overseas customers;

Research and product development

— to continue the field testing and community research of the Group's screening test for cancer;

— to start the field testing and community research of the Group's test for prostate cancer[3];

Sales and marketing

— to launch the Group's test for organ transplant failure, trauma and stroke in Australia and to appoint hospitals and laboratories as sub-licensees for the technology underlying such products in Australia, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to launch the Group's *EBgene*, *EBeasy*, *EBcombo* and *EBsens*[8] and Rhesus D[1] test in Australia, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to launch the Group's test for liver cancer[2] in the PRC and Japan, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to launch the Group's foetal sex test for X-linked diseases, Down's syndrome[1] and *EBsens*[8] in Japan, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to launch the Group's *EBonco*[9] in Hong Kong and PRC, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to launch the screening test for the cancer potential of patients harbouring EBV reactivations in Hong Kong by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such doctors in the specialised field;

Period from 1 July, 2005 to 31 December, 2005

Strategic development

— to launch a worldwide campaign for the Group's test for Down's syndrome[1];

— to launch a worldwide campaign with a view to forming close associations with other laboratories, health institutions and government agencies for joint launches of the Group's testing services;

Research and product development

— to complete the field testing and community research of the Group's test for prostate cancer[3] and screening test for cancer;

Sales and marketing

— to launch the Group's screening test for cancer in Hong Kong, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to launch the Group's test for liver cancer[2] and foetal sex test for X-linked diseases[1] and *EBonco*[9] in Australia, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

— to launch the Group's Rhesus D[1] test and *EBonco*[9] in Japan and to appoint hospitals and laboratories as sub-licensees for the technology underlying such product in Japan, by first establishing and setting product standards in its laboratory for this test and then marketing the test to the appropriate end users, such as doctors in the specialised field;

Period from 1 January, 2006 to 30 June, 2006

Strategic development

— to seek opportunities to acquire new diagnostic technology that would complement the Group's testing services;

Research and product development

— to start laboratory and clinical testing of the Group's stem cell technology for treating cancer patients and replacing damaged organs and tissues;

— to start laboratory and clinical testing of the study of the forms and nature of protein for the diagnosis of diseases;

Sales and marketing

— to launch the Group's test for prostate cancer[3] in Hong Kong, by first establishing and set product standards in its laboratory for this test and then market the test to the appropriate end users, such as doctors in the specialised field;

Period from 1 July, 2006 to 31 December, 2006

Strategic development

— to expand the Group's knowledge and technology in medical diagnostic fields focused by the Group by forming alliances with leading researchers in the academia and biotechnology industries;

Research and development

— to continue the laboratory and clinical testing of the Group's stem cell technology for treating cancer patients and replacing damaged organs and tissues;

— to continue laboratory and clinical testing of the study of the foams and nature of protein for the diagnosis of diseases;

Sales and marketing

— to continue promoting the Group's testing services in the PRC, Australia and Japan;

Referenced number for each disease and their targeted specialty doctors and the targeted patient population

1. Foetal maternal tests including Down's syndrome, Rhesus D test, betaHCG and HPL: doctors targeted are the Obstetrics and Gynaecologists and Paediatricians. Patients targeted are the young families and pregnant women. Institutions targeted are the Obstetrics hospitals and family planning clinics.

2. Liver cancer: doctors targeted are the Hepatologists, Gastro-enterologists, Internists and surgeons. Patients targeted are those that are hepatitis B and C carriers, liver cirrhosis and ones with family history of liver cancer.

3. Prostate cancer: doctors targeted are the Urologists, Urological surgeons, Internists and Gerontologists. Patients targeted are all males over the age of 50.

4. Pleural effusion: doctors targeted are the Internists, Cardiologists and surgeons. Patients targeted are the chronic smokers.

5. Trauma: doctors targeted are the emergency room doctors and intensive care doctors. Institutions targeted are the acute care hospital with trauma centers.

6. Stroke: doctors targeted are the Neurologists, Neuro-surgeons, Internists and Cardiologists. Patients targeted are those with hypertension, obese, and those with diabetes or history of stroke before.

7. *EBgastric*: doctors targeted are the Internists, Gastro-enterologists and surgeons. Patients targeted are people with chronic gastritis, Japanese in origin.

8. *EBsens*: doctors targeted are the Oncologists or radio therapists that are treating NPC patients.

9. *EBonco*: general screening test for all doctors.

BASES AND ASSUMPTIONS

The Group's business objectives set out above have been formulated on the following bases and assumptions:

— there will be no significant change in the regulatory environment of Hong Kong, China, Australia, Japan and other countries mentioned above that will adversely affect the business and activities of the Group;

— the Group will not encounter any difficulties in having the patents granted in the respective countries;

— there will be no new technology or method that can adversely affect the performance of the testing services launched by the Group;

— suitable personnel can be recruited and retained by the Group;

— the Group can pass the regulatory requirements of the countries, where appropriate, that will be targeted for marketing and sales;

— there will be no material change in the tax bases or tax rates in any jurisdiction in which the Group carries on its business;

— there will be no disasters, natural, political or otherwise, which would materially disrupt the business and operations of the Group; and

— the Group is not materially adversely affected by any risk factor set out in the section headed "Risk factors" in this prospectus.

USE OF PROCEEDS

The net proceeds from the Share Offer are estimated to amount to approximately HK$24 million after deduction of expenses payable by the Company in relation to the Share Offer. The Directors presently intend to apply such net proceeds from the Share Offer as follows:

— approximately HK$4.3 million for financing the patent expenditure in respect of existing and new testing services developed, or to be developed, from technologies licensed to the Group;

— approximately HK$13.4 million for funding the marketing activities relating to the Group's existing and future testing services when the Group's business is expanded to China, Australia, Japan and via the Internet;

— approximately HK$3.6 million for funding the compliance requirements in relation to the Group's business expansion to China, Australia, Japan and via the Internet. The Directors consider that the costs of compliance requirements mainly include registrations of individual products/testing services to governmental and regulatory bodies and the related legal costs; and

— approximately HK$2.7 million for the Group's research activities relating to the development of new testing services.

The table below shows the breakdown of the use of proceeds from the Share Offer, as categorised into every six-month period up to 31 December, 2006.

	Latest Practicable Date to 30 June, 2004	**1 July, 2004 to 31 December, 2004**	**1 January, 2005 to 30 June, 2005**	**1 July, 2005 to 31 December, 2005**	**1 January, 2006 to 30 June, 2006**	**1 July, 2006 to 31 December, 2006**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Patent expenditure	140,000	1,000,000	770,000	990,000	990,000	410,000	4,300,000
Product marketing	20,000	930,000	2,290,000	2,110,000	3,960,000	4,090,000	13,400,000
Compliance requirements	20,000	380,000	500,000	700,000	1,000,000	1,000,000	3,600,000
Research and development	20,000	660,000	610,000	500,000	450,000	460,000	2,700,000
	200,000	2,970,000	4,170,000	4,300,000	6,400,000	5,960,000	24,000,000

In the event that the business plan of the Group does not materialise or proceed as planned, the Directors will carefully evaluate the requirements of the Group and other relevant factors and circumstances and may reallocate parts of the net proceeds from the Share Offer to other business plans, new projects and, or investment opportunities and, or place the same on short-term deposits. Any material departure from the use of proceeds stated above will be announced accordingly.

The Directors consider that the net proceeds from the Share Offer, together with the Group's internally generated funds, will be sufficient to finance the future development of the Group up to 31 December, 2006 as described in the section headed "Statement of business objectives and strategies" in this prospectus.