RELATIONSHIP WITH PROFESSOR LO AND THE CHINESE UNIVERSITY

The Chinese University of Hong Kong Foundation Limited is a company limited by guarantee (a non-profit making organisation established by the Chinese University to promote education and research in Hong Kong), and will hold approximately 0.61% of the issued share capital of the Company following completion of the Share Offer, the Capitalisation Issue and full conversion of the Convertible Notes, taking no account of the Shares which may be allotted and issued upon the exercise of any options granted or to be granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement or the general mandate to issue or repurchase Shares referred to in Appendix V of this prospectus. All members and directors of The Chinese University of Hong Kong Foundation Limited are nominated by the council of the Chinese University from among the council members. Professor Lo, who is the Chinese University's designated consultant to the Group (by virtue of the Consultancy Agreement) will hold approximately 2.43% of the issued share capital of the Company following completion of the Share Offer, the Capitalisation Issue and full conversion of Convertible Notes, taking no account of the Shares which may be allotted and issued upon the exercise of any options granted or to be granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement or the general mandate to issue or repurchase Shares referred to in Appendix V of this prospectus. Professor Lo is currently a professor at the Department of Chemical Pathology of the Chinese University.

The Chinese University is one of the seven universities in Hong Kong funded by the Hong Kong government and fosters quality research over a broad front at its seven faculties, namely, Arts, Business Administration, Education, Engineering, Medicine, Science and Social Science. The Chinese University has established ten research institutes and a number of research centres at university and faculty levels to encourage multi-disciplinary research.

The Group has been granted by the Chinese University a number of exclusive licences to use the PDx Technology from which the Group has commercialised and will continue to commercialise into marketable testing services offered to the general public. These licensing arrangements have provided the Group with the necessary research support, and kept the Group abreast of the technological development in cancer and prenatal diagnostic fields.

The Group's relationship with the Chinese University was further strengthened upon the entering into of the Consultancy Agreement between the Group and the Chinese University with Professor Lo as the Chinese University's designated consultant to advise Plasmagene. Such advice covers the establishment of a laboratory of Plasmagene to conduct research on diagnostic services using the PDx Technology, including providing assistance in the training of appropriate laboratory personnel as well as advising on the maintenance of the system in the laboratory. Any subsequent new development or intellectual property created by the Group at its laboratory which is contributed by Professor Lo under the Consultancy Agreement belongs to the Group. The laboratory commenced operations on 19 August, 2001. If for any reason Professor Lo cannot conduct or complete the consultancy services, the Chinese University will appoint a successor subject to the approval of the Group. The Consultancy Agreement is effective for three years commencing from 15 August, 2001. The Consultancy Agreement does not contain any provision regarding renewal after its expiry. The Group commenced negotiation with the Chinese University around May 2004 with a view to renewing the Consultancy Agreement that will expire on 15 August, 2004. Should the Consultancy Agreement notbe renewed after its expiry, the Directors do not foresee any significant impact on the Group's business operations, as the Consultancy Agreement was focused more on the initial setup of the Group's laboratory, training and initial technology transfer relating to the PDX Technology. The Directors consider that the Group's laboratory has passed the initial setup stage and that the Group's relationship with the Chinese University is covered by the Right of First Refusal Agreement and various licence agreements. However, it is the intention of the Group to seek a renewal of the Consultancy Agreement shortly, which will be specific to new research programmes and methodologies that may originate from the Chinese University as well as any unforeseen problems or questions arising from existing products or products to be developed in the future solely from the Group's laboratory. This proposed new consultancy agreement will then serve the specific needs of the Group in the future instead of the broad and general nature of its predecessor. A memorandum of understanding in this respect was signed on 21 April, 2004.

Consideration under the Consultancy Agreement is a cash payment of HK$1.5 million, payable to the Chinese University in six equal half-yearly instalments of HK$250,000 starting from 15 August, 2001. Under the Consultancy Agreement, The Chinese University of Hong Kong Foundation Limited and Professor Lo were allotted and issued 1% and 4% of the issued share capital of Plasmagene respectively prior to the Reorganisation. As a result of the Reorganisation (details of which are set out in the paragraph headed "Group reorganisation" in the section headed "Further information about the Company" in Appendix V to this prospectus), such shares in Plasmagene were exchanged into Shares, representing a total of 3.60% of the issued share capital of the Company immediately after the Share Offer, the Capitalisation Issue and the Initial IPO Conversion, taking no account of any Shares which may be allotted and issued upon the exercise of any options granted or to be granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement or the general mandates to issue or repurchase Shares referred to in Appendix V of this prospectus or the First Post IPO Conversion or the Second Post IPO Conversion.

In April 2002, the Chinese University applied for and was awarded a research and development grant of HK$4,598,000 from the Innovation and Technology Commission of the Hong Kong government to undertake a research project relating to the development of non-invasive detection of Down's syndrome. The project was headed by Professor Lo. The Group through 3 Ben acting as sponsor to the project, has contributed a sum of HK$375,000 and undertaken to contribute an additional HK$125,000 in 2004 from funding received as a result of the Convertible Notes which in aggregate represented approximately 10% of the total funding received by the Chinese University for the project. The amount awarded by the Innovation and Technology Commission amounted to approximately 90% of the funds. The Group would have priority in using project research results. On 1 March, 2003 the Group was granted an exclusive licence by the Chinese University in respect of such technology (please refer to the description of the licence numbered 9 in the table under the subsection headed "Intellectual property" in the section headed "Business" for further details of this licence).

Under a memorandum of understanding entered into on 10 July, 2002 between Plasmagene and the Chinese University, Plasmagene and the Chinese University agreed to cooperate on future research and development activities. Under the Right of First Refusal Agreement, the Company will be offered a right of first refusal for the grant by the Chinese University of a royalty-bearing exclusive licence to use and commercially develop certain technologies and inventions relating to the PDx Technology and other non-invasive diagnostic technologies for detecting cancer and foetal diseases developed by Professor Lo in the future. In return, the Company agreed to grant to the Chinese University or such person as the Chinese University may direct (including trustees of any funds) options to subscribe for Shares or to pay cash up to a maximum amount of HK$4,600,000 over the period of the term of such agreement, being four years commencing from the Listing Date. Such options are not intended to be granted under the Share Option Scheme. Such grant of options will be granted to the Chinese University at intervals of twelve months with the first date of grant being the first business day coincident with the first day of the Company's financial year after the Listing Date, subject to and in accordance with the provisions of the GEM Listing Rules. If the market price of the Shares fall, the number of options that the Company may grant to the Chinese University will be limited by the GEM Listing Rules. For further details on such grant of options, please refer to the paragraph headed "Options to be granted to the Chinese University" in the section headed "Business" in this prospectus. The number of Shares that the Company has to issue pursuant to the exercise of any options granted to the Chinese University under the Right of First Refusal Agreement will depend on whether or not the Chinese University exercises such options. The Directors believe that this arrangement is beneficial to the Group as it provides the Group with the opportunity to access to future inventions developed from or relating to the PDx Technology and other new technologies developed by Professor Lo, and which is important to building a wide range of testing services. (Please refer to the subsection headed "Research and development" in the "Business" section for further details of the right of first refusal granted by the Chinese University to the Company.)