

I. FURTHER INFORMATION ABOUT THE COMPANY**(a) Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 27 June, 2002. The Company has established a place of business in Hong Kong at 5th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong and was registered on 13 August, 2002 as an overseas company in Hong Kong under Part XI of the Companies Ordinance, with Dr. Yeung of Flat B, 1st Floor, No. 1 Garden Terrace, 8 Old Peak Road, Hong Kong, appointed as the agent of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company is incorporated in the Cayman Islands, it is subject to Cayman Islands company law and to its constitution which comprises the Memorandum and Articles of Association. A summary of various provisions of its constitution and relevant aspects of Cayman Islands company law is set out in Appendix IV of this prospectus.

(b) Changes in the share capital of the Company

As at the date of incorporation of the Company, its authorised share capital was HK\$50,000 divided into 5,000,000 Shares, one share of which was allotted and issued to the initial subscriber, credited as fully paid, and such Share was then transferred to Dr. Yeung on 1 August, 2002 at a consideration of HK\$0.01.

On 6 September, 2002, the Company by written resolution, increased its authorised share capital from HK\$50,000 divided into 5,000,000 Shares to HK\$10,000,000 by the creation of an additional 995,000,000 Shares to rank pari passu with the existing Shares in all respects.

On 20 September, 2002, the Company allotted and issued, credited as fully paid, a total of 505,773 Shares as to 50 Shares to Dr. Yeung and as to 505,723 Shares to Ms. Margaret Tsui in consideration for the acquisition by the Company of the entire issued share capital of Century Year Company Limited.

On 24 October, 2002, the Company allotted and issued, in each case credited as fully paid, a total of 494,226 Shares as to 287,500 Shares to Spring Biotech, as to 106,726 Shares to Vanbarray Corporation, as to 40,000 Shares to Professor Lo, as to 10,000 Shares to The Chinese University of Hong Kong Foundation Limited and as to 50,000 Shares to Ms. Mabel Leung in consideration for the acquisition by the Company of each of their respective shareholding interests in each of 3 Ben, Celltech and Plasmagene.

On 24 October, 2002, the Company allotted and issued, in each case credited as fully paid, a total of 10,000 Shares to Dr. Yeung at a consideration of HK\$100.

Assuming that the Share Offer and the Capitalisation Issue become unconditional, the Company will allot and issue an aggregate of 25,800,000 Shares to the Noteholders, such Shares to be issued at the same time as the Offer Shares are allotted and issued.

Assuming that the Share Offer and the Capitalisation Issue become unconditional and the Shares pursuant to the Share Offer, the Capitalisation Issue and the Initial IPO Conversion are duly allotted and issued, but taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or the Right of First Refusal Agreement and the exercise of the general mandate to issue Shares referred to in the paragraph headed “Resolutions passed at extraordinary general meetings of the Company which were held on 20 April, 2004 and 31 May, 2004” below or the First Post IPO Conversion or the Second Post IPO Conversion, the authorised share capital of the Company will be HK\$10,000,000 divided into 1,000,000,000 Shares and the issued share capital of the Company will be HK\$3,278,000 divided into 327,800,000 Shares fully paid or credited as fully paid, with 672,200,000 Shares remaining unissued.

Assuming that the Share Offer and the Capitalisation Issue become unconditional and the Shares pursuant to the Initial IPO Conversion are duly allotted and issued, the Company will allot and issue an aggregate of 34,400,000 Shares to the Noteholders upon the occurrence of the First Post IPO Conversion pursuant to the terms of the Convertible Notes and assuming the Shares pursuant to the Share Offer, the Capitalisation Issue, the Initial IPO Conversion and the First Post IPO Conversion are duly allotted and issued but taking no account of any Shares which may be allotted and issued after the Listing Date and/or upon the exercise of any options which may be granted under the Share Option Scheme or the Right of First Refusal Agreement and the exercise of the general mandate to issue Shares referred to in the paragraph headed “Resolutions passed at extraordinary general meetings of the Company which were held on 20 April, 2004 and 31 May, 2004” below or the Second Post IPO Conversion, the issued share capital of the Company will be HK\$3,622,000 divided into 362,200,000 Shares fully paid or credited as fully paid, with 637,800,000 Shares remaining unissued.

Assuming that the Share Offer and the Capitalisation Issue become unconditional and the Shares pursuant to the Initial IPO Conversion and the First Post IPO Conversion are duly issued, the Company will allot and issue an aggregate of 25,800,000 Shares to the Noteholders upon the occurrence of the Second Post IPO Conversion pursuant to the terms of the Convertible Notes and assuming the Shares pursuant to the Share Offer, the Capitalisation Issue, the Initial IPO Conversion, the First Post IPO Conversion and the Second Post IPO Conversion are duly allotted and issued but taking no account of any Shares which may be allotted and issued after the Listing Date and/or upon the exercise of any options which may be granted under the Share Option Scheme or the Right of First Refusal Agreement and the exercise of the general mandate to issue Shares referred to in the paragraph headed “Resolutions passed at extraordinary general meetings of the Company which were held on 20 April, 2004 and 31 May, 2004” below, the issued share capital of the Company will be HK\$3,880,000 divided into 388,000,000 Shares fully paid or credited as fully paid, with 612,000,000 Shares remaining unissued.

Other than pursuant to any options which may be granted under the Share Option Scheme or the Right of First Refusal Agreement, the Initial IPO Conversion, the First Post IPO Conversion or the Second Post IPO Conversion, there is no present intention by the Directors to allot and issue any part of the authorised but unissued share capital of the Company after the Listing Date and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company after the Listing Date.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since its incorporation.

(c) Resolutions passed at extraordinary general meetings of the Company which were held on 20 April, 2004 and 31 May, 2004

On 20 April, 2004 and 31 May, 2004, ordinary resolutions were passed by the Shareholders at extraordinary general meetings of the Company, pursuant to which, amongst other things:

- (1) conditional on (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement or upon the occurrence of the Initial IPO Conversion, the First Post IPO Conversion and/or the Second Post IPO Conversion); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Lead Manager, on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreements or otherwise:
- (a) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares;
- (b) the Directors were authorised to allot and issue an aggregate of 86,000,000 Shares to each of the Noteholders at HK\$0.25 per Share in the manner set out below, or such number of Shares at such price per Share as the Directors shall determine in accordance with the terms of the Convertible Notes, upon full conversion of the principal amount of the Convertible Notes issued by the Company to each Noteholder:

Name of Noteholder	Number of Shares to be allotted and issued upon full conversion of the Convertible Notes	Principal amount of the Convertible Notes subscribed for by each Noteholder <i>HK\$</i>
The Applied Research Council	46,800,000	11,700,000
MCVIL	15,600,000	3,900,000
JAIC	9,360,000	2,340,000
JAIC Technology	6,240,000	1,560,000
Mr. Robert Owen	2,000,000	500,000
Mr. Russell Young	4,800,000	1,200,000
Mr. Tong Siu Bau	400,000	100,000
Mr. Lee Kam Lun, Kenyon	400,000	100,000
Ms. Jessica Pui Han Jook	400,000	100,000

- (2) conditional on the share premium account of the Company being credited as a result of the Share Offer and upon the recommendation of the Directors, a sum of HK\$2,369,900 be capitalised from the amount standing to the credit of the share premium account and the said sum be applied in paying up in full at par 236,990,000 Shares for allotment and issue, credited as fully paid, to Ms. Margaret Tsui as to 118,664,647 Shares, Dr. Yeung as to 2,358,403 Shares, Spring Biotech as to 67,460,024 Shares, Vanbarry Corporation as to 12,521,285 Shares, Mr. Wong Kim Wing as to 11,732,178 Shares, The Chinese University of Hong Kong Foundation Limited as to 2,346,436 Shares, Professor Lo as to 9,385,742 Shares and Diamond Tech Investment Limited as to 12,521,285 Shares, being the holders of Shares on the register of members of the Company on 20 April, 2004 (the “Capitalisation Issue”) or as they may direct in proportion to their then existing shareholdings in the Company and that such Shares shall rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to the Capitalisation Issue;
- (3) conditional on (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement or upon the occurrence of the Initial IPO Conversion, the First Post IPO Conversion and/or the Second Post IPO Conversion); and (ii) the commencement of dealings in the Shares on GEM, the rules of the Share Option Scheme were approved and adopted and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme provided that the total number of Shares which may be issued upon the exercise of all options granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed an aggregate of 10% of the total number of Shares of the Company in issue immediately following completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion, upon and subject to the terms and conditions of the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same;
- (4) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, and to make or grant offers, agreements or options which may require the exercise of such power to allot, issue and deal with Shares, including without limitation upon the exercise of any options which may be granted pursuant to the Right of First Refusal Agreement but otherwise than by way of rights or an issue of Shares upon the exercise of any subscription rights attached to any warrants or other securities of the Company (the issue of which would have been approved by the Shareholders in general meeting) or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries and/or any other third party of shares or rights to acquire shares or pursuant to the Share Offer or upon the occurrence of the Initial IPO Conversion, the First Post IPO Conversion or the Second Post IPO Conversion or any scrip dividend scheme or similar

arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion, such mandate to remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any other applicable laws to be held; or
 - (c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (5) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion, such mandate to remain in effect until whichever is the earliest of:
- (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any other applicable laws to be held; or
 - (c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (6) the general unconditional mandate mentioned in paragraph (4) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (5) above provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion;

- (7) the service agreement of Dr. Yeung with the Company, details of which are set out in the sub-paragraph headed “Particulars of the service agreements” in this appendix was approved; and
- (8) all transactions contemplated under the agreement dated 23 April, 2002 and the supplemental agreement dated 7 August, 2002 (the “Agreements”), in each instance entered into between Plasmagene and Spring Biotech, were confirmed, approved and ratified and that any Director was authorised to undertake and enter into all such transactions contemplated by the Agreements and take all actions in connection with, and ancillary thereto up until the year ending 30 June, 2004, on the condition the value of such transactions contemplated in the Agreements shall not exceed HK\$2,000,000.

On 20 April, 2004, a special resolution was passed by the Shareholders, at an extraordinary general meeting of the Company pursuant to which the Company approved and adopted its existing Memorandum and Articles of Association.

(d) Changes in the share capital of subsidiaries of the Company

The Company’s subsidiaries are set out in the accountants’ report for the Company, the text of which is set out in Appendix I to this prospectus.

The following alterations in the share capital of the Company’s subsidiaries including certain alterations which had taken place within the two years preceding the date of this prospectus:

On 6 August, 2002, 1 share of US\$1.00 each in the capital of Chemosino International Limited, a company incorporated in the British Virgin Islands under the International Business Companies Act (Cap. 291) with limited liability, 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.

On 20 April, 2001, 2 subscriber shares of HK\$1.00 each in the capital of Plasmagene were allotted and issued to Yik Kay Limited and Onway Nominees Limited for cash at par, credited as fully paid, which were transferred to Mr. Wong King Yeung and Dr. Yeung, respectively on 27 April, 2001 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 ordinary shares of HK\$1.00 each by written resolution passed by all of its shareholders. On the next day, Plasmagene allotted and issued an aggregate of 3,999,998 ordinary shares of HK\$1.00 each, credited as fully paid in each case, to New Oxford Management Limited, a wholly owned subsidiary of Century Year Company Limited which in turn was then a company wholly and beneficially owned by Ms. Margaret Tsui and Dr. Yeung, as to 2,355,998 shares of HK\$1.00 each, Vanbarry Corporation as to 494,000 shares of HK\$1.00 each, Mr. Cheung Lam Hung as to 570,000 shares of HK\$1.00 each, Ms. Mabel Leung as to 380,000 shares of HK\$1.00 each, Professor Lo as to 160,000 shares of HK\$1.00 each and The Chinese University of

Hong Kong Foundation Limited as to 40,000 shares of HK\$1.00 each for cash at par. Following such issue 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, 9.5% by Ms. Mabel Leung, 4% by Professor Lo and 1% by The Chinese University of Hong Kong Foundation Limited.

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 ordinary shares of HK\$1.00 each by a resolution passed by the shareholders of Plasmagene at an extraordinary general meeting of Plasmagene held on 6 September, 2002. On the same date, 8,000,000 ordinary shares of HK\$1.00 each in Plasmagene were 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 (the “Plasmagene Shareholders”) on capitalisation of shareholders’ loans in an aggregate amount of HK\$8,000,000 owed by Plasmagene to each of them pursuant to the terms of a capitalisation agreement dated 13 September, 2002 made between the Plasmagene Shareholders and Plasmagene.

On 11 January, 2001, one subscriber share of US\$1.00 par value in the capital of 3 Ben 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 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 for cash at par. On 21 November, 2001, New Oxford Management Limited transferred 5 shares in 3 Ben (representing 5% of the then issued share capital of 3 Ben) to Century Year Company Limited for a total consideration of US\$5 at par. 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.

On 25 January, 2002, one subscriber share of HK\$1.00 each in the capital of Celltech 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.

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

Save as aforesaid and as set out under the heading “Group reorganisation” in this appendix, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

(e) **Group reorganisation**

The companies comprising the Group underwent reorganisations in 2002 and 2003 in preparation for the Listing. Following completion of the Reorganisation, the Company was the holding company of the Group and the existing structure of the Group was formed. The Reorganisation involved the following:

On 18 September, 2002, each of New Oxford Management Limited and Ms. Margaret Tsui acquired from Century Year Company Limited, 58 and 442 shares of US\$0.01 each in the capital of 3 Ben, respectively, representing the entire 5% interest held by Century Year Company Limited in 3 Ben for cash consideration of US\$0.58 and US\$4.42, respectively.

On 18 September, 2002, each of Vanbarry Corporation, Ms. Mabel Leung, Professor Lo and The Chinese University of Hong Kong Foundation Limited acquired, 1,067, 500, 400 and 100 shares of US\$0.01 each in the capital of 3 Ben, respectively, from Spring Biotech and Ms. Margaret Tsui, representing the 1,625 and 442 shares of US\$0.01 each in the capital of 3 Ben held by each of Spring Biotech and Ms. Margaret Tsui, respectively for an aggregate cash consideration of HK\$372,060.

On 20 September, 2002, each of Vanbarry Corporation, Ms. Mabel Leung, Professor Lo, The Chinese University of Hong Kong Foundation Limited and New Oxford Management Limited acquired 1,067, 500, 400, 100 and 158 shares of HK\$0.01 each in the capital of Celltech, respectively, from Spring Biotech, for an aggregate consideration of HK\$4,450.

On 20 September, 2002, the Company acquired, through New Oxford Management Limited, from each of Spring Biotech, Vanbarry Corporation, Ms. Mabel Leung and Professor Lo and The Chinese University of Hong Kong Foundation Limited, an aggregate of 4,942 shares of US\$0.01 each in the capital of 3 Ben, 4,942 shares of HK\$0.01 each in the capital of Celltech and 5,930,712 shares of HK\$1.00 each in the capital of Plasmagene, representing the entire shareholding interests of each of Spring Biotech, Vanbarry Corporation, Ms. Mabel Leung, Professor Lo and The Chinese University of Hong Kong Foundation Limited in each of 3 Ben, Celltech and Plasmagene in consideration of which the Company allotted and issued an aggregate of 494,226 Shares, as to 287,500 Shares to Spring Biotech, 106,726 Shares to Vanbarry Corporation, 50,000 Shares to Ms. Mabel Leung, 40,000 Shares to Professor Lo and 10,000 Shares to The Chinese University of Hong Kong Foundation Limited.

On 19 November, 2002, Vanbarry Corporation transferred 53,363 Shares to Diamond Tech Investment Limited for a cash consideration of HK\$100.

On 31 March, 2003, Ms. Mabel Leung disposed of 50,000 Shares to Mr. Wong Kim Wing, her spouse, by way of gift.

On 24 June, 2003, Chemosino International Limited acquired the entire issued share capital of each of Plasmagene, Celltech and 3 Ben from New Oxford Management Limited for an aggregate consideration of HK\$7,737,059.94 which was fully settled on 24 September, 2003.

On 25 June, 2003, Chemosino International Limited disposed of the entire issued share capital of Century Year Company Limited to Dr. Yeung and Ms. Margaret Tsui for an aggregate consideration of HK\$3,892,078.45 which was fully settled on 24 September, 2003.

(f) **Repurchase by the Company of its own securities**

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(1) *GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on GEM to repurchase their equity securities on GEM subject to certain restrictions, the most important restriction being the obtaining of the Shareholders' prior approval and the terms of such approval.

All proposed repurchases of securities (which must be fully paid up in the case of shares) on GEM by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of shareholders of the relevant company, either by way of general mandate or by special approval of a particular transaction. On 20 April, 2004, resolutions were passed by the Shareholders at an extraordinary general meeting of the Company whereby a general unconditional mandate (the "Repurchase Mandate") was granted to the Directors authorising the repurchase by the Company of Shares on GEM, or any other stock exchange recognised by the SFC and the Stock Exchange, of up to 10% of the aggregate nominal value of the share capital of the Company in issue and to be issued as mentioned in this prospectus at any time until (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or the Companies Law or any other applicable laws to be held; or (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the Shareholders in general meeting, whichever occurs first.

(2) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 327,800,000 Shares in issue immediately after the Share Offer, 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 which may be granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement or upon the occurrence of the First Post IPO Conversion and the Second Post IPO Conversion), could accordingly result in up to 32,780,000 Shares being repurchased by the Company during the period as described in sub-paragraph (1) above.

(3) *Reasons for repurchases*

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

(4) *Funding of repurchases*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles of Association and the applicable laws and regulations of the Cayman Islands.

(5) *General*

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, has any present intention, if the Repurchase Mandate is approved by the Shareholders and is exercised by the Directors, to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum, Articles of Association and the applicable laws and regulations of the Cayman Islands. If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Code as a consequence of any repurchase made under the Repurchase Mandate.

No repurchase of Shares has been made by the Company since its incorporation.

No connected person of the Company has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented with the agreement of the Stock Exchange to waive the GEM Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

II. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP**(a) Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (1) a capitalisation agreement dated 13 September, 2002 entered into between each of New Oxford Management Limited, Vanbarry Corporation, Spring Biotech, Ms. Mabel Leung, Professor Lo and The Chinese University of Hong Kong Foundation Limited and Plasmagene in relation to the capitalisation of shareholders' loans owed by Plasmagene to each of them;
- (2) an agreement dated 20 September, 2002 entered into between Dr. Alex Yeung and Ms. Margaret Tsui as vendors and the Company as purchaser pursuant to which the entire issued share capital of Century Year Company Limited was transferred to the Company by each of Dr. Yeung and Ms. Margaret Tsui in consideration for the allotment and issue of 50 and 505,723 Shares by the Company to each of them respectively;
- (3) an agreement dated 20 September, 2002 entered into between Spring Biotech, Vanbarry Corporation, Ms. Mabel Leung, Professor Lo and The Chinese University of Hong Kong Foundation Limited as vendors and the Company as purchaser for the acquisition of the entire shareholding interests held by each of such vendors in each of 3 Ben, Celltech and Plasmagene in consideration for the allotment and issue, credited as fully paid, of an aggregate of 494,226 Shares, as to 287,500 Shares to Spring Biotech, as to 106,726 Shares to Vanbarry Corporation, as to 50,000 Shares to Ms. Mabel Leung, as to 40,000 Shares to Professor Lo and as to 10,000 Shares to The Chinese University of Hong Kong Foundation Limited for an aggregate cash consideration of HK\$4,942.26;
- (4) an agreement dated 8 August, 2002 entered into between the Chinese University and the Company pursuant to which the Company was granted a right of first refusal by the Chinese University for a grant of an exclusive licence in respect of certain new technology and invention developed solely by Professor Lo in the future over a term of 4 years from the Listing Date and in consideration for the right of first refusal of such grant of an exclusive licence, the Company has agreed to grant options in favour of the Chinese University (or its nominee) to subscribe for such number of Shares worth up to a maximum of HK\$4,600,000 over the period of 4 years, subject to certain conditions and the GEM Listing Rules as amended and supplemented by agreements dated 31 October, 2003 and 16 April, 2004, details of which are set out in the section headed "Relationship with Professor Lo and the Chinese University" of this prospectus;
- (5) a shareholders' agreement dated 13 June, 2001 entered into between Century Year Company Limited, New Oxford Management Limited, Spring Biotech and 3 Ben to regulate the relationship between shareholders of 3 Ben;

- (6) a shareholders' agreement dated 31 August, 2001 entered into between New Oxford Management Limited, Mr. Cheung Lam Hung, Ms. Mabel Leung, Vanbarry Corporation, The Chinese University of Hong Kong Foundation Limited, Professor Lo and Plasmagene to regulate the relationship between shareholders of Plasmagene;
- (7) a subscription agreement dated 4 December, 2002 entered into between the Noteholders and the Company in respect of the Convertible Notes issued by the Company to the Noteholders;
- (8) the certificates and conditions issued by the Company to each of the Noteholders in respect of the Convertible Notes dated 27 December, 2002, 16 December, 2002 and 14 December, 2002;
- (9) a deed of novation dated 24 June, 2003 between New Oxford Management Limited and Chemosino International Limited in respect of the novation of, and, a deed of charge dated 4 February, 2003 entered into between New Oxford Management Limited and the Noteholders in relation to the grant of a first legal mortgage over the entire issued share capital of Plasmagene in favour of the Noteholders as a continuing security for payment of all sums due to the Noteholders under the Convertible Notes;
- (10) a deed of assignment dated 6 September, 2002 entered into between Dr. Yeung as assignor and 3 Ben as assignee pursuant to which Dr. Yeung assigned all of his rights in respect of the US patent application (No. 60/256, 671) relating to the treatment of cancer and other diseases by administration of positron-emission radio-pharmaceutical to 3 Ben for a nominal consideration;
- (11) a deed of assignment dated 24 September, 2003 entered into between Dr. Yeung as assignor and Plasmagene as assignee pursuant to which Dr. Yeung assigned all of his rights in respect of US patent application (No. 10/455, 043) relating to new sensitive diagnostic testing methodology using-multiplex real time PCR with one dye and its use and in its severe respiratory syndrome to Plasmagene for a nominal consideration;
- (12) an agreement dated 24 June, 2003 between New Oxford Management Limited and Chemosino International Limited in respect of the disposal of New Oxford Management Limited's entire shareholding interest in the capital of each of 3 Ben, Celltech and Plasmagene as part of the Reorganisation (as varied and supplemented by a supplemental agreement dated 26 September, 2003 entered into between the same parties), details of which are set out in the sub-paragraph headed "Group reorganisation" in this appendix;
- (13) an agreement dated 25 June, 2003 between Chemosino International Limited and Dr. Yeung and Ms. Margaret Tsui in respect of the disposal of Chemosino International Limited's entire shareholding interest in the capital of Century Year Company Limited as part of the Reorganisation (as varied and supplemented by a supplemental agreement dated 26 September, 2003 entered into between the same parties), details of which are set out in the sub-paragraph headed "Group reorganisation" in this appendix;

- (14) a novation agreement dated 25 March, 2003 between Century Year Company, the Company and Induna Limited in respect of the novation to the Company of a tenancy agreement dated 6 November, 2002 relating to the premises at Flat B, 1st Floor, No. 1 Garden Terrace, 8 Old Peak Road, Hong Kong, being the place of residence of Dr. Yeung;
- (15) a research collaboration agreement dated 6 June, 2003 between Plasmagene and the Chinese University relating to a collaborative research program for the treatment and diagnosis of SARS between the parties;
- (16) a sub-lease agreement dated 29 August, 2003 entered into between the Company and Wellchamp Capital Limited, recording the arrangements of sharing the Company's premises at 5th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong for the period of one year commencing from 26 May, 2003 for a monthly rental of HK\$25,000 (including air-conditioning and building management fees).
- (17) the Sponsor's Agreement dated 7 June, 2004 entered into between the Company and the Sponsor in relation to the appointment of the Sponsor to act as sponsor of the Company pursuant to the GEM Listing Rules;
- (18) a deed of indemnity dated 7 June, 2004 between the Company and Dr. Yeung, Ms. Margaret Tsui, Mr. Cheng Yan Tak, Angus Ronald, Mr. Hase Wong, Dr. Cho Kwai Chee, Vanbarry Corporation, Diamond Tech Investment Limited, Spring Biotech, Town Health Bio-Medical Technology Limited and Town Health International Holdings Company Limited (the "Indemnifiers") in favour of the Group containing certain indemnities being, amongst other terms, the indemnities referred to in the paragraph headed "Other information — Estate duty and other matters" in this appendix;
- (19) the Public Offer Underwriting Agreement;
- (20) a deed of assignment dated 17 February, 2004 between Dr. Yeung as assignor and Plasmagene as assignee pursuant to which Dr. Yeung assigned all of his rights in respect of US patent application by Dr. Yeung and Professor Lo dated 3 June, 2003 (No. 10/455, 041) relating to the combination of circulating EBV DNA in the serum or plasma of patients and a method to assess EBV sub types for the prediction and detection of EBV associated cancers (claiming priority on US provisional patent application no. 60/265, 508 and US regular patent application no. 10/057, 579) and related documents for a nominal consideration;
- (21) a termination agreement dated 2 March, 2004 entered into between Spring Biotech (China) Limited and Plasmagene relating to the termination of an exclusive sub-licence agreement dated 25 February, 2002 entered into between the same parties in respect of the sub-licence of certain of the PDx Technology in the PRC, further details of which are set out in the section headed "History and Development" of this prospectus;

- (22) a deed of assignment dated 8 April, 2004 between Dr. Yeung as assignor and 3 Ben as assignee pursuant to which Dr. Yeung assigned all of his rights in respect of Republic of China (Taiwan) patent application by Dr. Yeung filed on 18 December, 2001 (Application No.: 090131362) relating to “Treating of cancer and other diseases by administration of positron-emitting radio-pharmaceuticals” (claiming priority on US provisional patent application numbered 60/256,671 filed on 18 December, 2000) and related documents for a nominal consideration;
- (23) a termination of consultancy agreement dated 20 June, 2003 between Century Year Company Limited and Plasmagene relating to the termination of a consultancy agreement dated 15 July, 2002 and supplemental consultancy agreement dated 6 September, 2002 between them, with effect from 1 October, 2002;
- (24) a termination of consultancy agreement dated 20 June, 2003 between Century Year Company Limited and 3 Ben relating to the termination of a consultancy agreement dated 15 July, 2002 and supplemental consultancy agreement dated 6 September, 2002 between them, with effect from 1 October, 2002; and
- (25) a supplemental letter agreement dated 23 April, 2004 relating to the Convertible Notes entered into between each member of the Group, the Noteholders, Dr. Yeung, Ms. Margaret Tsui, Mr. Wong Kim Wing, Spring Biotech, Vanbarry Corporation and Diamond Tech Investment Limited.

(b) **Intellectual property**

Assigned rights

Date of the relevant deeds of assignments	Assignor	Assignee	Countries of application	Assigned patent rights in respect of the technology as set out below
6 September, 2002	Dr. Yeung	3 Ben	USA and under PCT	“Treatment of cancer and other diseases by Administration of Positron-Emitting Radio-Pharmaceutical” under the PCT international patent application no. PCT/US01/48193 and U.S. patent application no. 10/020,368 (claiming priority on U.S. provisional patent application numbered 60/256,671)

24 September, 2003	Dr. Yeung Plasmagene USA	the US patent application (no. 10/455,043) relating to a new sensitive diagnostic testing methodology using multiplex real time PCR with one dye (MOD) and its use in severe acute respiratory syndrome and the US patent application (no. 60/469,812) relating to diagnostic tests and kits for severe acute respiratory syndrome and other diseases with or without new amplification methods
17 February, 2004	Dr. Yeung Plasmagene USA	United States patent application (no. 10/455,041) relating to the combination of circulating EBV DNA in the serum or plasma of patients and a method to assess EBV subtypes for the prediction and detection of EBV associated cancers (claiming priority on US provisional patent application numbered 60/265,568 and US regular patent application numbered 10/057,579) and related documents
8 April, 2004	Dr. Yeung 3 Ben Taiwan	Taiwan patent application (no. 090131362) relating to “Treatment of cancer and other diseases by administration of position-emitting radio-pharmaceuticals” (claiming priority on US provisional patent application (no. 60/256,671) filed on 18 December, 2000) and related documents

Note: All the relevant filing requirements in relation to the assignments are expected to be complied with before September 2004.

Licences from third parties

The Group has acquired, in most instances, exclusive licences to use, sub-licence and/or develop various patents or patent applications, details of which are set out in the sub-section headed “Intellectual property” in the section headed “Business” on pages 95 to 104 of this prospectus. The following sets out further details as regards such patents or patent applications (as the case may be):

Item No.	Patent title	Patent application No.	Country of application	Filing date of patent application	Applicant/ Inventor's name	Assignee for published patent applications	Date of grant of patent	Registration No.	Date of the relevant licence agreement	Licensed territory	Effective licensed period	Cross reference to numbers of licences set out in pages 97 to 102 of this Prospectus	Notes
1.	Process for amplifying, detecting and/or cloning nucleic acid sequences	94000788	Hong Kong	14/07/1994 (deemed date of filing: 27/03/1986)	F. Hoffman- Roche A.G.	N/A	18/08/1994	HK0940849	29/05/2001	Hong Kong	until patent expiry date on 27/03/2006 subject to renewal fee paid	1	
2.	Process for amplifying nucleic acid sequences	94000774	Hong Kong	13/07/1994 (deemed date of filing: 27/03/1986)	F. Hoffman- Roche A.G.	N/A	18/08/1994	HK0940840	29/05/2001	Hong Kong	until patent expiry date on 27/03/2006 subject to renewal fee paid	1	
3.	Non invasive pre-natal monitoring	60/241,417	US	17/10/2000	Professor Lo and Poon Lit Man	The Chinese University	N/A	N/A	04/06/2001	USA, EU, Japan, Australia, HK	from 22/06/2001 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	2	Pending grant of patent
4.	Non invasive pre-natal monitoring	09/876,005	US	6/06/2001	Professor Lo and Poon Lit Man	The Chinese University	16/12/03	US6,664,056B2	04/06/2001	USA, EU, Japan, Australia, HK	from 22/06/2001 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	2	Claims benefit of US patent application no. 60/241, 417 above
5.	Non invasive pre-natal monitoring	PCT/GB 01/04629	PCT in the UK	17/10/2001 (priority date: 17/10/2000)	The Chinese University	The Chinese University	25/4/2002	W002/33120A3	04/06/2001	USA, EU, Japan, Australia, HK	from 22/06/2001 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	2	Claims benefit of US patent application no. 60/241,417 and 09/876,005 above
6.	Non Invasive Pre-Natal Diagnosis	645074/98	Australia	04/03/1998 (Priority date: 04/03/1997)	ISIS	N/A	19/04/2001 (patent period - 20 yrs from 04/03/1998)	727919	22/06/2001	Australia, Hong Kong, Japan, PRC	7 years from 22/06/2001	3	
7.	Non Invasive Pre-Natal Diagnosis	00105959.8	Hong Kong	21/09/2000	ISIS	N/A	11/9/03	HK1026720	22/06/2001	Australia, Hong Kong, Japan, PRC	7 years from 11/09/2003	3	
8.	Non Invasive Pre-Natal Diagnosis	10-538290/98	Japan	04/03/1998	ISIS	N/A	N/A	N/A	22/06/2001	Australia, Hong Kong, Japan, PRC	7 years from the date a patent derived from the application is granted in Japan	3	Pending grant of patent
9.	Non Invasive Pre-Natal Diagnosis	N/A	PRC	N/A	ISIS	N/A	N/A	N/A	22/06/2001	Australia, Hong Kong, Japan, PRC	10 years from 22/06/2001 for the PRC	3	the Company has confirmed that no patent application has been made by ISIS in the PRC in respect of this technology
10.	Methods for detecting DNA originating from different individuals	09/944,951	US	31/08/2001	Professor Lo and Poon Lit Man	The Chinese University	N/A	N/A	21/05/2002	Anywhere in the world	from 01/04/2002 to the last expiry date of all the licensed patents or initial term of 20 years, whichever is the later unless terminated earlier	4	Pending grant of patent
11.	Methods for detecting DNA originating from different individuals	PCT/GB 02/03941	PCT	30/08/2002	The Chinese University	The Chinese University	13/03/03	WO 03/020974	21/05/2002	Anywhere in the world	from 01/04/2002 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	4	Pending grant of patent
12.	Methods for evaluating stroke or cardiac ischemia by nucleic acid detection	60/380,719	US	14/05/2002	Timothy Hudson Rainer, Professor Lo, Lam Yuk Lau, Wong Ka Sing Lawrence	The Chinese University	N/A	N/A	31/07/2002	Anywhere in the world	from 01/04/2002 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	5	Pending grant of patent

Item No.	Patent title	Patent application No.	Country of application	Filing date of patent application	Applicant/ Inventor's name	Assignee for published patent applications	Date of grant of patent	Registration No.	Date of the relevant licence agreement	Licensed territory	Effective licensed period	Cross reference to numbers of licences set out in pages 97 to 102 of this Prospectus	Notes
13	Methods for evaluating stroke or cardiac ischemia by nucleic acid detection	10/194,523	US	07/11/2002	Timothy Hudson Rainer, Professor Lo, Lam Yuk Lau, Wong Ka Sing Lawrence	The Chinese University	N/A	N/A	31/07/2002	Anywhere in the world	from 01/04/2002 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	5	(i) Claims benefit of patent application no. 60/380,719 above; (ii) pending grant of patent
14	Methods for evaluating a disease condition by Nucleic Acid Detection and Fractionation	60/380,708	US	14/05/2002	Professor Lo, Ng Kai On, Tsui Bo Yin, Chiu Wai Kwun Rossa, Chan Yuen Shan Lisa, Timothy Hudson Rainer, Lam Yuk Lan	The Chinese University	N/A	N/A	31/07/2002	Anywhere in the world	from 01/05/2002 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	6	Pending grant of patent
15	Novel classification methods for pleural effusions	10/278,278	US	22/10/2002	Professor Lo, Michael Ho-Ming Chan	The Chinese University	N/A	N/A	15/08/2002	Anywhere in the world	from 01/06/2002 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	7	Pending grant of patent
16	Circulating Epstein-Barr virus DNA in the serum of patients with gastric carcinoma	60/265,568 (Provisional)	US	31/01/2002	Professor Lo Y. M. Dennis, Chan Wing Yee, Ng Kwok Wai	The Chinese University	N/A	N/A	25/11/2002	Anywhere in the world	from 25/11/2002 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	8	Pending grant of patent
17	Circulating Epstein-Barr virus DNA in the serum of patients with gastric carcinoma	10/057,579	US	25/01/2002	Professor Lo, Poon Lit Man, Chau Wing Yee, Ng Kwok Wai	The Chinese University	N/A	N/A	25/11/2002	Anywhere in the world	from 25/11/2002 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	8	(i) Pending grant of patent (ii) Licence also covers US provisional patent application no. 60/265,568 above.
18	Circulating Epstein-Barr virus DNA in the serum of patients with gastric carcinoma	PCT/GB02/00411	PCT in the UK	30/01/2002 (priority date: 31/01/01)	Professor Lo and Poon Lit Man and Chan Wing Yee (For US only); the Chinese University (for PCT)	The Chinese University	08/08/02	WO 02/061148	25/11/2002	Anywhere in the world	from 25/11/2002 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	8	(i) Pending grant of patent (ii) Claims benefit of patent application no. US(60/265,568) above
19	Circulating Epstein-Barr virus DNA in the serum of patients with gastric carcinoma	91101576	Taiwan	30/01/2002	Professor Lo and Chan Wing Yee	The Chinese University	N/A	N/A	25/11/2002	Anywhere in the world	from 25/11/2002 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	8	(i) Patent application made under PCT/GB02/00411 (ii) Pending grant of patent
20	Circulating Epstein-Barr virus DNA in the serum or plasma of patients for the prediction and detection of Epstein-barr virus associated cancers apart from head, neck and lymphoid malignancies	10/455,042	US	03/06/2003	Professor Lo, Chan Wing Yee, Ng Kwok Wai	The Chinese University	N/A	N/A	25/11/2002	Anywhere in the world	from 25/11/2002 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	8	(i) Division of US patent application no. 10/057,579 filed on 25/01/2002 which claims the benefit of patent application no. 60/265,568 filed on 31/01/2001 above. (ii) Pending grant of patent
21	Combination of circulating Epstein-Barr virus (EBV) DNA in the serum or plasma of patients and a method to assess EBV subtypes for the prediction and detection of Epstein-Barr virus associated cancers	10/455,041	US	8/8/2003	Professor Lo, Dr. Yeung	Plasmagene and the Chinese University	N/A	N/A	25/11/2002	Anywhere in the world	from 25/11/2002 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	8	(i) Continuation in part of US patent application no. 10/057,579 filed on 25/01/2002 which claims the benefit of patent application no. 60/265,568 filed on 31/01/2001 (ii) Pending grant of patent (iii) Partly assigned by Dr. Yeung to Plasmagene pursuant to a deed dated 17/02/2004
22	Circulating mRNA as diagnostic markers for pregnancy-related disorders	60/440,906	US	17/01/2003	Professor Lo, Ng Kai On, Tsui Bo Yin, Rossa Chiu Wai Kwun	The Chinese University	N/A	N/A	01/03/2003	Anywhere in the world	from 01/03/2003 to the last expiry date of the patent or initial term of 20 years, whichever is the later unless terminated earlier	9	Pending grant of patent

Domain name

As at the Latest Practicable Date, the Group has registered the following domain name:

Domain Name	Registrant Organisation	Registration Date
plasma-gene.com	Plasmagene Limited	11 April, 2001

III. FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF**(a) Disclosure of interests****(1) *Interests and short positions of Directors in the share capital of the Company after the Share Offer, the Capitalisation Issue and the Initial IPO Conversion***

Immediately following completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion and taking no account of any Shares which may be taken up under the Share Offer by any of the persons referred to in this paragraph and any Shares which may fall to be allotted and issued pursuant to the exercise of the options granted or to be granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement or any Shares which may fall to be allotted and issued or repurchased by the Company pursuant to the mandates referred to in the section headed “Further information about the Company” in this appendix or pursuant to the First Post IPO Conversion or the Second Post IPO Conversion, the interests and short positions of each of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, in each case once the Shares are listed, will be as follows:

Long positions in Shares

Name of Directors	Nature of ownership	Personal interest	Family interest	Corporate interest	Other interest	Total	Approximate % of holding
Dr. Yeung <i>(Note 1)</i>	Beneficial	2,368,454	121,538,824	Nil	Nil	121,538,824	37.07
Ms. Margaret Tsui <i>(Note 2)</i>	Beneficial	119,170,370	121,538,824	Nil	Nil	121,538,824	37.07
Mr. Cheng Yan Tak, Angus Ronald	Beneficial	Nil	Nil	12,574,648	Nil	12,574,648	3.84

*(Note 4)**(Note 3)*

Notes:

1. Under the SFO, Dr. Yeung will be deemed to be interested in the 119,170,370 Shares, representing approximately 36.35% of the issued share capital of the Company immediately following the completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion, held by Ms. Margaret Tsui, his spouse.
2. Under the SFO, Ms. Margaret Tsui will be deemed to be interested in the 2,368,454 Shares, representing approximately 0.72% of the issued share capital of the Company immediately following the completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion, held by Dr. Yeung, her spouse.
3. Under the SFO, Mr. Cheng Yan Tak, Angus Ronald will be deemed to be interested in the 12,574,648 Shares, representing approximately 3.84% of the issued share capital of the Company immediately following the completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion, held by Vanbarry Corporation which is beneficially wholly owned by him.
4. The calculation of percentage holdings is on the basis of 327,800,000 Shares in issue upon completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion but not taking into account of any Shares issued or to be issued upon the exercise of any options to be granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement or upon the occurrence of the First Post IPO Conversion and/or the Second Post IPO Conversion or any Shares allotted and issued or repurchased by the Company pursuant to the mandates referred to in the section headed “Further information about the Company” in this appendix.

So far as the Directors are aware, taking no account of any Shares which may be taken up under the Share Offer by any of the persons referred to in this paragraph, any Shares to be allotted and issued pursuant to the exercise of any options granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement and/or upon the occurrence of the First Post IPO Conversion and the Second Post IPO Conversion or any Shares allotted and issued or repurchased by the Company pursuant to the mandates referred to in the section headed “Further information about the Company” in this appendix and save as disclosed above, none of the Directors or chief executive of the Company has interests and short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) to be 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 Rules 5.40 to 5.58 of the GEM Listing Rules once the Shares are listed on GEM.

(2) ***Interests and short positions of Substantial Shareholders in the share capital of the Company after the Share Offer, the Capitalisation Issue and the Initial IPO Conversion***

So far as is known to the Directors and taking no account of any Shares which may be taken up under the Share Offer by any of the persons referred to in this paragraph and any Shares to be allotted and issued pursuant to the exercise of any options granted or to be granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement and/or upon the occurrence of the First Post IPO Conversion and the Second Post IPO Conversion or any Shares allotted and issued or repurchased by the Company pursuant to the mandates referred to in the section headed “Further information about the Company” in this appendix, the following persons

will, immediately following completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in Shares

Name of Shareholder	Capacity	Number of Shares	Approximate shareholding percentage (Note 7)
Dr. Yeung (Note 1)	beneficial owner and attributed interest	121,538,824	37.07%
Ms. Margaret Tsui (Note 2)	beneficial owner and attributed interest	121,538,824	37.07%
Spring Biotech	beneficial owner	67,747,524	20.67%
Town Health Bio-Medical Technology Limited (Note 3)	attributed interest	67,747,524	20.67%
Town Health (Note 4)	attributed interest	67,747,524	20.67%
Origin Limited (Note 5)	attributed interest	67,747,524	20.67%
Dr. Cho Kwai Chee (Note 6)	attributed interest	67,747,524	20.67%

Notes:

- Under the SFO, Dr. Yeung will be deemed to be interested in the 119,170,370 Shares, representing approximately 36.35% of the issued share capital of the Company, immediately following completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion, held by Ms. Margaret Tsui.
- Under the SFO, Ms. Margaret Tsui will be deemed to be interested in the 2,384,454 Shares, representing approximately 0.72% of the issued share capital of the Company, immediately following completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion, held by Dr. Yeung.
- Under the SFO, Town Health Bio-Medical Technology Limited will be deemed to be interested in the same block of 67,747,524 Shares, representing approximately 20.67% of the issued share capital of the Company, immediately following completion of the Share Offer, Capitalisation Issue and the Initial IPO Conversion as Spring Biotech is beneficially wholly-owned by Town Health Bio-Medical Technology Limited.
- Under the SFO, Town Health will be deemed to be interested in the same block of 67,747,524 Shares, representing approximately 20.67% of the issued share capital of the Company, immediately following completion of the Share Offer, Capitalisation Issue and the Initial IPO Conversion as Town Health Bio-Medical Technology Limited is beneficially wholly-owned by Town Health.
- Under the SFO, Origin Limited will be deemed to be interested in the same block of 67,747,524 Shares, representing approximately 20.67% of the issued share capital of the Company, immediately following completion of the Share Offer, Capitalisation Issue and the Initial IPO Conversion as Town Health is beneficially owned as to 0.1% by Mr. Cho Kam Luk and 13.08% by, and it is accustomed to act in accordance with the directions or instructions of, Origin Limited which in turn is beneficially wholly owned by Dr. Cho Kwai Chee.

6. Under the SFO, Dr. Cho Kwai Chee will be deemed to be interested in the same block of 67,747,524 Shares, representing approximately 20.67% of the issued share capital of the Company, immediately following completion of the Share Offer, Capitalisation Issue and the Initial IPO Conversion as Dr. Cho Kwai Chee indirectly (through Origin Limited) holds approximately 13.08% of the issued share capital of Town Health as at the Latest Practicable Date.
7. The calculation of percentage holdings is on the basis of 327,800,000 Shares in issue upon completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion but not taking into account of any Shares issued or to be issued upon the exercise of the options to be granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement or upon the occurrence of the First Post IPO Conversion and/or the Second Post IPO Conversion or any Shares allotted and issued or repurchased by the Company pursuant to the mandates referred to in the section headed “Further information about the Company” in this appendix.
8. The effect of the First Post IPO Conversion and the Second Post IPO Conversion on the shareholding percentages is set out in the sub-section headed “Convertible Notes” in the section headed “Share capital” in this prospectus. Following the First Post IPO Conversion and the Second Post IPO Conversion, The Applied Research Council will hold 12.06% of the then issued share capital of the Company.

So far as is known to the Directors, taking no account of any Shares which may be taken up pursuant to the Share Offer by any of the persons referred to in this paragraph and any Shares to be allotted and issued pursuant to the exercise of any options granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement and/or upon the occurrence of the First Post IPO Conversion and the Second Post IPO Conversion or any Shares allotted and issued or repurchased by the Company pursuant to the mandates referred to in the section headed “Further information about the Company” in this appendix and save as disclosed above, no person will, immediately following completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

(3) *Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO*

Save as disclosed in paragraph (1) and (2) above, so far as is known to the Directors and taking no account of any Shares which may be taken up under the Share Offer by any of the persons referred to in this paragraph and any Shares to be allotted and issued pursuant to the exercise of any options granted under the Share Option Scheme or pursuant to the Right of First Refusal Agreement and/or upon the occurrence of the First Post IPO Conversion and the Second Post IPO Conversion or any Shares allotted and issued or repurchased by the Company pursuant to the mandates referred to in the section headed “Further information about the Company” in this appendix, no person, not being a Director or chief executive of the Company, will, immediately following completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(4) *Particulars of the service agreements and terms of engagement as Directors*

- (i) Dr. Yeung has entered into a service agreement with the Company on 20 April, 2004. Particulars of such agreement are set out below:
- (a) the service agreement is of an initial term of 3 years commencing on the Listing Date and shall continue thereafter until terminated by either party giving to the other not less than 3 months' prior written notice;
 - (b) the annual salary for Dr. Yeung from commencing on the Listing Date shall be HK\$62,500 per month and he will also be granted housing allowance of up to HK\$78,000 per month. Dr. Yeung is entitled to a grant of options by the Company under the Share Option Scheme to subscribe for Shares up to a maximum value of HK\$500,000 per annum, respectively, and such grant shall be made annually in arrears conditional upon the completion of each consecutive 12 months of employment with the Company by Dr. Yeung and in accordance with the terms of the Share Option Scheme;
 - (c) Dr. Yeung is entitled to an annual performance — related discretionary bonus to be determined by the Board which shall not exceed the amount budgeted for in the Group's annual budget for the relevant financial year;
 - (d) Dr. Yeung shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of remuneration payable to himself;
 - (e) Dr. Yeung is entitled to the use of a company car with petrol allowance and he and his dependants are entitled to medical and travel insurance. The Company will provide Dr. Yeung and his dependants with annual round trip first class plane tickets from Hong Kong to the United States of America or any other destination.
- (ii) Each of Mr. Cheng Yan Tak, Angus Ronald, Mr. Cho Kam Luk and Ms. Margaret Tsui has entered into a service agreement with the Company on 20 April, 2004. Particulars of such agreements are set out below:
- (a) the service agreements for each of Mr. Cheng Yan Tak, Angus Ronald, Mr. Cho Kam Luk and Ms. Margaret Tsui are for an initial term of 2 years commencing on the Listing Date and shall continue thereafter until terminated by either party giving to the other not less than 3 months' prior written notice;
 - (b) Each of Mr. Cheng Yan Tak, Angus Ronald, Mr. Cho Kam Luk and Ms. Margaret Tsui is entitled to the grant of options by the Company to subscribe for Shares under the Share Option Scheme up to a maximum value of HK\$250,000 per

annum each and such grant shall be made annually in arrears conditional upon the completion of each consecutive 12 months of employment with the Company by each of Mr. Cheng Yan Tak, Angus Ronald, Mr. Cho Kam Luk and Ms. Margaret Tsui in accordance with the terms of the Share Option Scheme;

- (c) Each of Mr. Cheng Yan Tak, Angus Ronald, Mr. Cho Kam Luk and Ms. Margaret Tsui shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of remuneration payable to himself or herself, as the case may be.

Save as disclosed herein, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any other member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(5) ***Directors' remuneration***

- (i) The Company's policies concerning remuneration of the Directors are:
 - (a) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group;
 - (b) non-cash benefits may be provided to the Directors under their remuneration packages; and
 - (c) the executive Directors may be granted, at the discretion of the Board, options pursuant to the Share Option Scheme as part of their remuneration package.
- (ii) Mr. Lau Kam Shan has entered into a letter of appointment as a non-executive director with the Company on 20 April, 2004 whereupon Mr. Lau Kam Shan is entitled to a grant of options by the Company pursuant to the Share Option Scheme to subscribe for Shares up to a maximum value of HK\$250,000 per annum and, such options shall be granted annually in arrears conditional upon the completion of 12 months of appointment as a non-executive Director with the Company by Mr. Lau Kam Shan and shall be subject to the terms of the Share Option Scheme.
- (iii) Each of Professor Chung Sheung Chee, Sydney, Dr. Kevin Loh Kai Tsu, Dr. Matthew Ngan Man Wong and Mr. Chan Siu Wing, Raymond has been appointed by the Company to act as its independent non-executive directors pursuant to which each Professor Chung Sheung Chee, Sydney, Dr. Kevin Loh Kai Tsu and Dr. Matthew Ngan Man Wong shall be entitled to a grant of options by the Company pursuant to the terms of the Share Option Scheme to subscribe for Shares up to a maximum value of HK\$300,000 per annum each and, such options shall be granted annually in arrears

conditional upon the completion of 12 months of the appointment as independent non-executive directors with the Company by each of Professor Chung Sheung Chee, Sydney, Dr. Kevin Loh Kai Tsu, Dr. Matthew Ngan Man Wong and Mr. Chan Siu Wing, Raymond and shall be subject to the terms of the Share Option Scheme.

- (iv) During the year ended 30 June, 2003, the aggregate emoluments paid by the Group to the Directors were approximately HK\$647,000. Details of the Directors' remuneration are set out in note 9 in the section headed "Directors' and senior management's emoluments" of the accountants' report set out in appendix I to this prospectus.
- (v) Under the arrangements currently in force, the aggregate emoluments payable by the Group to the Directors for the year ending 30 June, 2004 are estimated to be HK\$900,000.
- (vi) Save as disclosed in note 10 in the section headed "Directors' and senior management's emoluments" of the accountants' report set out in Appendix I to this prospectus, no Director has received any remuneration or benefits in kind from the Group for the two years ended 30 June, 2002.

(b) **Disclaimers**

Save as disclosed in this prospectus:

- (1) none of the Directors nor any of the persons whose names are listed in the section headed "Other Information — Consents of experts" in this appendix is interested, directly or indirectly, in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (2) none of the Directors nor any of the persons whose names are listed in the section headed "Other Information — Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (3) none of the persons whose names are listed in the section headed "Other Information — Consents of experts" in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (4) none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

- (5) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Share Offer or related transaction as mentioned in this prospectus; and
- (6) so far as is known to the Directors, none of the Directors, their respective associates or Shareholders who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest customers or the five largest suppliers of the Group.

IV. SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme by resolutions of the Shareholders passed at an extraordinary general meeting of the Company held on 20 April, 2004, a summary of the main terms of which is set out in the section headed “Summary of the terms of the Share Option Scheme” in this appendix. The Group aims to be a premier biotechnology company in Hong Kong and the PRC and to continue to stay ahead of its competitors, it is necessary for the Group to attract, retain and motivate, inter alia, talented employees, officers, advisers and business consultants to strive towards the success of the Group. Under the Share Option Scheme, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options have yet been granted under the Share Option Scheme although the Directors and certain employees of the Group are entitled to be granted options to subscribe for Shares under the Share Option Scheme pursuant to the terms of their respective service agreements, letters of appointment or employment contracts, generally, upon the completion of 12 months of service with the Group by the relevant individual.

Summary of the terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the shareholders of the Company by way of ordinary resolution passed on 20 April, 2004.

(1) *Purpose of the Share Option Scheme*

The Share Option Scheme shall serve to encourage its participants to contribute to the success of the Group.

(2) *Who may join*

The Board or a duly authorised committee thereof which shall include the independent non-executive Directors (for the purpose of this summary of the terms of the Share Option Scheme, the “Board” shall mean the board of Directors from time to time or such duly authorised committee thereof) may, at its discretion, invite any employee, Director, adviser, consultant, licensors, distributors, suppliers, agents, customers, joint venture partners, strategic partners and

services providers of and/or to any member of the Group whom the Board considers in its sole discretion, to have contributed to the Group from time to time (together “Participants”) to take up options to subscribe for Shares at a price calculated in accordance with sub-paragraph (5) below (the “Offer”).

In determining the basis of eligibility of each Participant, the Directors would mainly take into account of the experience of the Participant with the Group’s business, the length of service of the Participant with the Group (if the Participant is an employee or a director of any member of the Group), the length of business relationship the Participant has established with the Group (if the participant is an adviser, consultant, distributor, supplier, agent, customer, licensor, joint venture partner, strategic partner and services provider of and/or to any member of the Group), the amount of support, assistance, guidance, advice, efforts and contributions the Participant has exerted and given towards the success of the Group and/or the amount of potential support, assistance, guidance, advice, efforts and contributions the Participant is likely to be able to give or make towards the success of the Group in the future.

For the purposes of this section, unless the context otherwise requires, “Grantee” means any Participant who has been offered accepted an option in accordance with the terms of the Share Option Scheme.

(3) *Grant of option*

Any grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company’s results for any year, half-year period or quarterly period or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for the Company to publish announcement of its results for any year, half-year period or quarterly period under Rule 18.49, 18.78 or 18.79 or any other interim period (whether or not required under the GEM Listing Rules) of the GEM Listing Rules, and ending on the date of the results announcement, no option may be granted.

(4) *Payment on acceptance of option offer*

HK\$1.00 is payable by the Participants to the Company upon acceptance of the Offer.

(5) *Price of Shares*

The subscription price for Shares in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to each Participant and will be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date on which an option is granted, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a Share.

(6) *Maximum number of Shares*

Subject to the maximum entitlement of Shares to each Participant:

- (a) the total number of Shares which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion unless the Company obtains a fresh approval from its Shareholders pursuant to sub-paragraph (b) below. On the basis of 327,800,000 Shares in issue on the Listing Date, assuming that the options which may be granted under the Share Option Scheme or any other options granted by the Company will not be exercised and that no Shares will be repurchased or issued and allotted under the general mandates for repurchases or issue and allot Shares referred to in the section headed “Share capital” of this prospectus, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other option schemes of the Company shall not exceed 32,780,000 Shares. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such 10% limit.
- (b) the Company may seek approval of its Shareholders in general meeting for refreshing the 10% limit set out in sub-paragraph (a) above such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) will not be counted for the purpose of calculating such 10% limit as refreshed. The Company shall send a circular to its Shareholders containing all such information as may be required under the GEM Listing Rules in connection with the meeting at which such approval of the Shareholders will be sought.
- (c) the Company may seek separate approval by its Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. In such a case, the Company shall send a circular to its Shareholders containing a generic description of the identified Participants, the number and terms of the options to be granted, the purpose of granting options to the specified Participants, and how these options serve such purpose and all such information as may be required under the GEM Listing Rules.

Notwithstanding the above and subject to maximum entitlement of Shares to each Participant, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

Immediately after completion of the Share Offer, the Capitalisation Issue and the Initial IPO Conversion and taking no account of Shares which may be allotted and issued upon the occurrence of the First Post IPO Conversion or the Second Post IPO Conversion or any Shares allotted and issued or repurchased by the Company pursuant to the mandates referred to in the section headed “Further information about the Company” in this appendix, the total number of Shares which will be subject to the Share Option Scheme will be 32,780,000 Shares, representing 10% of the issued share capital of the Company at that time.

No Participant shall be granted an option which, if exercised in full, would result in such Participant becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued under all the options previously granted to him or her which have been exercised, and, issuable under all the outstanding options previously granted to him or her which are for the time being subsisting and unexercised, would exceed 1% of the total number of Shares in issue in any 12-month period up to the date of grant of the option (the “Individual Limit”).

Any further grant of options in excess of the Individual Limit shall be subject to approval by the Shareholders with such Participant and his or her associates abstaining from voting. A circular must be sent to Shareholders disclosing the identity of the Participant, the number and terms of the options granted and to be granted and such information as may be required under the GEM Listing Rules. The number and terms of the options to be granted to such Participant shall be fixed before the approval by the Shareholders and the date of meeting of Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(7) *Requirements on granting options to connected persons*

Any grant of options to a Participant who is a connected person of the Company must be approved by the independent non-executive Directors (excluding such independent non-executive Director as may be the proposed Grantee of the options).

Where the Board proposes to grant any option to a Participant who is a substantial Shareholder (as defined in the GEM Listing Rules) or an independent non-executive Director, or any of their respective associates and such option which if exercised in full, would result in such Participant becoming entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued, and issuable, to him or her pursuant to all the options granted to him or her in the 12 month period up to and including the date on which such proposal is made by the Board (the “Relevant Date”):

- (a) representing in aggregate more than 0.1% of the total number of Shares in issue at the Relevant Date; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Relevant Date and if the Relevant Date is not a business day, the business day immediately preceding the Relevant Date, in excess of HK\$5,000,000,

such proposed grant of options must be approved by the Shareholders in general meeting and the Company shall send a circular to its Shareholders, containing all such information as may be required by GEM Listing Rules. All the Participants concerned and all other connected persons of the Company must abstain from voting in favour at such general meeting. In addition, any change in the number and terms of the options granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting. Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote taken at the meeting to approve the grant of such options must be taken on a poll and the Company will comply with the requirements set out in Rules 17.47(5), 17.47A, 17.47B and 17.47C of the GEM Listing Rules.

The abovementioned circular must contain the following:

- (a) details of the number and terms of the options to be granted to each Participant (which must be fixed before shareholders' approval) and the date of board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price;
- (b) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a Grantee) and the Shareholders as to voting;
- (c) the information required under Rules 23.02(2)(c) and (d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (d) the information required under Rule 2.28 of the GEM Listing Rules.

The requirements for the granting of options to a Director or chief executive of the Company set out above do not apply where the Participant is only a proposed director or chief executive of the Company.

(8) *Exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period after the option has been granted by the Board. An option period is a period to be determined by the Board in its absolute discretion and notified by the Board to each Grantee as being the period during which an option may be exercised, such period to expire not later than 10 years after the date of the grant of the option.

The Board may in the offer letter to be given by the Board to any particular Participant under the Share Option Scheme stipulate that the options to be granted to this Participant would be subject to such minimum holding period and/or this Participant may have to achieve to such performance target as may be stipulated in the offer letter before the options and/or any other terms can be exercised, although the Share Option Scheme does not require a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised.

(9) *Rights are personal to Grantee*

An option may not be transferred or assigned and is personal to the Grantee and may be exercised or treated as exercised, as the case may be, in whole or in part.

(10) *Rights on cessation of employment by dismissal*

If the Grantee who is an employee ceases to be an employee of the Group or its subsidiaries on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse automatically and not be exercisable on the date of termination of his employment.

(11) *Rights on insolvency*

If the Board receives notice or becomes aware that the Grantee who is an adviser, consultant, distributor, supplier, agent, customer, joint venture partner or service provider to the Group appears either to be unable to pay or to have no reasonable prospect of being able to pay his, her or its debts or has become bankrupt or insolvent or entered into voluntary winding up or receivership or has made any arrangement or composition with his, her or its creditors generally or has winding up proceedings commenced against them, his, her or its option will automatically lapse.

(12) *Rights on ceasing employment or directorship*

In the event of the Grantee ceases to be a Participant for any reason other than on his or her death or (if applicable) the termination of his or her employment or directorship or office or appointment on ground(s) other than an event referred to in paragraph (10) above as a ground of termination, the Grantee may exercise the option up to his or her entitlement at the date of cessation (to the extent he or she is entitled to exercise at the date of cessation but not already exercised) within the period of three months following the date of such cessation, (if applicable) which date shall be the last actual working day with the relevant member(s) of the Group whether salary is paid in lieu of notice.

(13) *Right on cessation of business relationship*

If the Grantee, who is an adviser, consultant, distributor, supplier, agent, customer, joint venture partner or service provider to the Group ceases to be in such relationship with the Group, his or her or its option will lapse automatically in the event that the Board does not exercise its absolute discretion to determine a period in which the Grantee may exercise his, her or its option.

(14) *Rights on death*

If the Grantee (who is an employee of any member of the Group) of an option dies before exercising the option in full and none of the events referred to in paragraph (10) above which would be a ground for termination of his or her employment or directorship arises, his or her personal representative(s) may exercise the option in full (to the extent which has become exercisable and not already exercised) within a period of 12 months from the date of death.

(15) *Effects of alterations to capital*

In the event of an alteration in the capital structure of the Company whilst any option remains exercisable by way of capitalisation issue, rights issue, subdivision, consolidation, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange or relevant laws excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party, or if Shares issued would be less than its nominal value, such corresponding alterations (if any) certified in writing to the Board by an independent financial adviser or the auditors for the time being of the Company as satisfying the GEM Listing Rules (except those made on a capitalisation issue), will be made to give the Grantee the same proportion of the capital of the Company as that which he or it was previously entitled. No such alteration shall be made so that a Share would be issued at less than its nominal value.

(16) *Rights on a general offer*

If a general offer (including any voluntary offer) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or its associates (as defined in the Code on Takeovers and Mergers and Share Repurchases) and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the Grantee will be entitled to exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in a notice provided to the Company by the Grantee at any time within such period notified by the Company.

(17) *Rights on winding up*

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Grantees and the Grantees may by notice in writing to the Company (such notice to be received by the Company not later than seven business days prior to the proposed Shareholders' meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

(18) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and any Grantee may by notice in writing to the Company accompanied by the remittance for the exercise price in respect of the relevant option (such notice to be received by the Company not later than four business days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder thereof.

(19) *General offer by way of scheme of arrangement*

If a general offer by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meeting(s), the Company shall forthwith give notice thereof to the Grantees and the Grantees shall be entitled to exercise the option either to its full extent or to the extent notified by the Company, at any time within such period as shall be notified by the Company.

(20) *Lapse of Option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of the periods referred to in sub-paragraphs (12), (14), (16) or (18) respectively;
- (c) subject to the scheme of arrangement (referred to in sub-paragraph (19)) becoming effective;
- (d) the expiry of the period referred to in sub-paragraph (19);
- (e) the date on which the Grantee of an option ceases to be a Participant by reason of the termination of his or her employment or directorship on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence involving his integrity or honesty;
- (f) the date of the commencement of the winding up of the Company;

- (g) where the Grantee is an employee of a member of the Group (other than the Company), the date on which such member ceases to be a subsidiary of the Company;
- (h) the date on which the Board shall become aware the Grantee becoming involved in insolvency proceedings referred to in sub-paragraph (11);
- (i) the date on which the Grantee ceasing to be a Participant by reason of an end to his, her or its business relationship with the Group referred to in sub-paragraph (13);
- (j) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any option in breach of the Share Option Scheme; or
- (k) the date on which the option is cancelled by the Board as provided in sub-paragraph (22).

(21) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of their allotment and issue and accordingly will entitle the holders of the Shares to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date when the name of the Grantee is registered on the Company's register of members.

Unless the context otherwise requires, references to "Shares" in the Share Option Scheme include references to shares in the Company of any such nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

(22) *Cancellation of Options granted*

The Board may at any time cancel any option granted but not exercised if the Grantee so agrees. Where the Company cancels options and makes an offer of the grant of new options to the same option holder, the offer of the grant of such new options may only be made, under the Share Option Scheme with available options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in subparagraph (6).

(23) *Period of Share Option Scheme*

Unless early terminated earlier in accordance with the terms therein, the Share Option Scheme will remain valid and effective for a period of 10 years commencing on the Listing Date

after which period no further options shall be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(24) *Alteration to Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme relating to matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of Participants and Grantees without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

(25) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on (i) the GEM Listing Committee granting or agreeing to grant approval (with such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be allotted and issued pursuant to the exercise of options granted under the Share Option Scheme and (ii) the commencement of dealings in the Shares on GEM.

Application has been made to the GEM Listing Committee for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the Latest Practicable Date, no option has been granted or agreed to be granted by the Company under the Share Option Scheme save as disclosed herein, in the sub-paragraphs headed “Particulars of the service agreements and terms of engagement as Directors” and “Directors’ remuneration” in this section on pages 275 to 277 of this prospectus and as part of the terms of employment of the Company’s employees.

V. OTHER INFORMATION

(a) Estate duty and other matters

Dr. Yeung, Ms. Margaret Tsui, Mr. Cheng Yan Tak, Angus Ronald, Mr. Wong Yan Kit, Dr. Cho Kwai Chee, Vanbarry Corporation, Diamond Tech Investment Limited, Spring Biotech, Origin Limited, Town Health Bio-Medical Technology Limited and Town Health International Holdings Company Limited (the “Indemnifiers”) have entered into a deed of indemnity referred to in the section headed “Summary of material contracts” in this appendix, with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) to provide indemnities jointly and severally

in connection with, amongst other terms, (i) any liability for Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the Group on or before the date on which the Share Offer becomes unconditional (the “Effective Date”) and (ii) any taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the Effective Date, except in certain circumstances, including but not limited to, where provisions or allowance have been made in the audited accounts of the relevant member for the Group for a financial period ending on or before 30 June, 2003; and where such liability arises or is incurred as a result of the imposition of tax as a result of any retrospective change in the relevant tax legislation which came into force after the date of such deed of indemnity.

In the event of any member of the Group being or becoming liable for any losses, damages, costs, claims or liabilities as a result of any claim, action or proceedings brought by any Noteholder for any breach (actual or contingent) by any member of the Group of any of the terms of the Convertible Notes, each of the Indemnifiers covenants with each member of the Group that it/he/she will jointly and severally indemnify and at all times keep each member of the Group indemnified against any costs, claims, losses and liabilities which may be incurred or suffered by them and any other liabilities of whatever nature arising therefrom.

The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of Shares.

Dealings in Shares registered on the Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty, which is payable by each of the purchaser and the seller or the transferor and transferee at the current rate of 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred.

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, purchasing, holding or disposing of, or dealing in, Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of, persons resulting from the application for, purchase, holding or disposal of, or dealing in Shares.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from stamp duty in Cayman Islands provided the Company does not hold land in the Cayman Islands.

(b) Litigation

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

(c) Address for service of process and notices

Dr. Yeung has been nominated as the agent to accept service of process and notices of the Company. The address for service of process and notices is 5th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong.

(d) Sponsor

The Sponsor has made an application on behalf of the Company to the GEM Listing Committee for listing of, and permission to deal in, the Shares in issue and to be allotted and issued pursuant to the Capitalisation Issue, the Share Offer and any Shares falling to be allotted and issued upon the occurrence of the Initial IPO Conversion, the First Post IPO Conversion or the Second Post IPO Conversion or upon any exercise of options which may be granted under the Share Option Scheme or pursuant to the First Right of Refusal Agreement.

(e) Preliminary expenses

The preliminary expenses of the Company in relation to the Share Offer are estimated to be approximately HK\$97,000 and are payable by the Company.

(f) Promoter

The promoters of the Company are Dr. Yeung and Ms. Margaret Tsui.

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoters in connection with the Share Offer or the related transactions described in this prospectus.

(g) Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
First Shanghai Capital	a deemed licensed corporation licensed to perform type 6 regulated activity (i.e. advising on corporate finance) under the SFO
RSM Nelson Wheeler Maples and Calder Asia Chui & Lau	Certified Public Accountants Cayman Islands attorneys-at-law Legal advisers as to Hong Kong laws
CB Richard Ellis Limited	Property valuer

(h) **Consents of experts**

Each of First Shanghai Capital, RSM Nelson Wheeler, Maples & Calder Asia, Chui & Lau and CB Richard Ellis Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/ or the references to its name included herein in the form and context in which they are respectively included.

(i) **Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

(j) **Commission received**

The Underwriters will receive an underwriting commission and the Sponsor will receive a fee as mentioned in the section headed “Underwriting — Commission and expenses” of this prospectus.

(k) **Related party transactions**

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in, amongst other sections, the section headed “Related party transactions” of the accountants’ report set out in Appendix I to this prospectus.

(l) **Miscellaneous**

(1) Save as disclosed in this prospectus:

- (a) within the two years preceding the date of this prospectus, no share or loan capital of any member of the Group has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of any member of the Group is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no founders, management or deferred shares of any member of the Group have been issued or agreed to be issued;
- (d) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of the Group;

- (e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except the commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any Shares in the Company;
 - (f) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December, 2003, the date to which the audited consolidated financial statements of the Group are made up;
 - (g) the Directors confirm that there has not been any interruption in the business of the Group which may have or have had a material adverse effect on the financial position of the Group in the 24 months preceding the date of this prospectus; and
 - (h) no arrangements has been made under which future dividends are waived or agreed to be waived.
- (2) None of First Shanghai Capital, RSM Nelson Wheeler, CB Richard Ellis Limited, Chui & Lau and Maples & Calder Asia:
- (a) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.
- (3) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (4) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (5) Subject to the provisions of the Companies Law, the register of members of the Company will be maintained in the Cayman Islands by M&C Corporate Services Limited and a branch register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited.