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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred all** your shares in **Plasmagene Biosciences Limited** (the “Company”), you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to purchaser.

This circular, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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## **PLASMAGENE BIOSCIENCES LIMITED**

### **PLASMAGENE BIOSCIENCES LIMITED**

**普施基因生物科技有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8250)

### **GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES**

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The notice convening the annual general meeting of the Company to be held at 6th Floor, 33 Sharp Street, Causeway Bay, Hong Kong on Monday, 25 October 2004 at 9:00 a.m. (the “Annual General Meeting”) is set out on pages 4 to 10 of the annual report of the Company for the financial year ended 30 June 2004 (the “2004 Annual Report”).

A form of proxy for the Annual General Meeting is enclosed with the 2004 Annual Report. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investors Services Limited, at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon by not less than 48 hours before the time fixed for the Annual General Meeting or any adjourned meeting therefore. Completion and return of a form of proxy will not preclude you from attending and voting at the Annual General Meeting in person should you so wish.

*This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of Plasmagene Biosciences Limited at <http://www.plasma-gene.com>.*

\* For identification purpose only

30 September 2004

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## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at <http://www.hkgem.com> in order to obtain up-to-date information on GEM-listed issuers.

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## LETTER FROM THE BOARD

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# PLASMAGENE BIOSCIENCES LIMITED

## PLASMAGENE BIOSCIENCES LIMITED

### 普施基因生物科技有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8250)

*Executive Directors:*

Dr. Yeung Wah Hin, Alex

Mr. Cheng Yan Tak, Angus Ronald

Mr. Cho Kam Luk

Mrs. Yeung Tsui Mai Ling, Margaret

*Non-Executive Director:*

Mr. Lau Kam Shan

*Independent Non-Executive Directors:*

Dr. Ngan Man Wong, Matthew

Dr. Loh Kai Tsu, Kevin

Mr. Chan Siu Wing, Raymond

*Registered Office:*

Ugland House, PO Box 309GT

South Church Street, Grand Cayman

Cayman Islands

*Principal Place of Business in*

*Hong Kong:*

5/F, Club Lusitano

16 Ice House Street

Central

Hong Kong

30 September 2004

*To the shareholders of the Company*

Dear Sir or Madam,

## GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES

### INTRODUCTION

The purpose of this circular is to provide you with the information with regard to the proposed resolutions at the annual general meeting (the “Annual General Meeting”) of Plasmagene Biosciences Limited (the “Company”) to be held at 6th Floor, 33 Sharp Street, Causeway Bay, Hong Kong on Monday, 25 October 2004 at 9:00 a.m. relating to the granting to the directors of the Company (the “Directors”) the general mandates to allot, issue and deal with new shares of HK\$0.01 each (the “Shares”) in the capital of the Company and to repurchase Shares.

### BACKGROUND

On 20 April 2004, resolutions were passed by the then shareholders of the Company at an extraordinary general meeting of the Company whereby general unconditional mandates were granted to the Directors to exercise the powers of the Company to:

- (a) allot, issue and otherwise deal with unissued Shares not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately after the completion of the capitalisation issue, placing and public offer (the “Share Offer”) referred to in the prospectus of the Company dated 8 June 2004;

\* For identification purpose only

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## LETTER FROM THE BOARD

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- (b) repurchase Shares not exceeding 10% of the aggregate nominal value of the Shares in issue after the completion of the Share Offer; and
- (c) add to the general mandate for issuing Shares set out in paragraph (a) above the number of Shares repurchased by the Company pursuant to the repurchase mandate set out in paragraph (b) above.

The above general mandates will expire at the conclusion of the Annual General Meeting and the purpose of this circular is to request your support to renew the general mandates referred to below.

### NEW ISSUE MANDATE AND THE EXTENSION THEREOF

At the Annual General Meeting to be held on Monday, 25 October 2004, an ordinary resolution (which is set out as Resolution No. 5 in the notice (the “**Notice**”) convening the Annual General Meeting) will be proposed which, if passed, will give the Directors a general mandate to allot, issue and otherwise deal with new Shares not exceeding 20% of the share capital of the Company in issue on the date of the passing of that resolution (the “**New Issue Mandate**”). In addition, conditional upon the proposed resolutions in relation to the New Issue Mandate and the Repurchase Mandate (as defined below) being passed at the Annual General Meeting, another ordinary resolution (which is set out as Resolution No. 7 in the Notice) will be proposed at the Annual General Meeting which, if passed, to extend the New Issue Mandate (the “**Extension of the New Issue Mandate**”) by the addition thereto of an amount representing the aggregate nominal amount of Shares which are repurchased by the Company pursuant to the Repurchase Mandate, provided that the amount of Shares so repurchased by the Company shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing the resolution. The New Issue Mandate and the Extension of the New Issue Mandate will provide flexibility for issuing new Shares when it is in the interests of the Company.

### REPURCHASE MANDATE AND EXPLANATORY STATEMENT

At the Annual General Meeting, an ordinary resolution as set out as Resolution No. 6 in the Notice will also be proposed to grant the Directors a general mandate to repurchase Shares (the “**Repurchase Mandate**”) on the GEM of the Stock Exchange up to a limit of 10% in the aggregate of the Company’s issued share capital at the date of passing the resolution.

An explanatory statement containing all relevant information relating to the Repurchase Mandate is set out in the Appendix to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the Resolution No. 6 as set out in the Notice to grant to the Directors the Repurchase Mandate at the Annual General Meeting.

### GENERAL INFORMATION

The notice convening the Annual General Meeting is set out in the annual report of the Company for the year ended 30 June 2004 (the “**2004 Annual Report**”).

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## LETTER FROM THE BOARD

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A copy of the 2004 Annual Report incorporating copies of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2004 and the Directors' and auditors' reports thereon has been dispatched to the shareholders of the Company together with this circular.

A form of proxy for the Annual General Meeting is enclosed with the 2004 Annual Report. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon by not less than 48 hours before the time fixed for the Annual General Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting at the Annual General Meeting in person should you so wish.

### RECOMMENDATION

The Directors believe that the New Issue Mandate, the Repurchase Mandate and the Extension of the New Issue Mandate are in the best interests of the Company and its shareholders as a whole. An exercise of the New Issue Mandate (and the Extension of the New Issue Mandate, if applicable) will enable the Company to take advantage of market conditions to raise additional capital for the Company. In addition, based on the reasons for repurchases as set out in the paragraph headed "Reasons for the repurchases" in the Appendix to this circular, the Directors believe that the proposal to grant them the Repurchase Mandate is in the interests of the Company and its shareholders. Accordingly, the Directors recommend you to vote in favour of the resolutions approving the New Issue Mandate, the Repurchase Mandate and the Extension of the New Issue Mandate.

Yours faithfully  
For and on behalf of the Board of  
**Plasmagene Biosciences Limited**  
**Dr. Yeung Wah Hin, Alex**  
*Chairman*

This is an explanatory statement given to all shareholders of the Company pursuant to Rule 13.08 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) relating to the Resolution No. 6 as set out in the Notice to be proposed at the Annual General Meeting authorising the Repurchase Mandate.

## **1. SHARE CAPITAL**

As at 23 September 2004, being the latest practicable date prior to the printing of this circular (the “Latest Practicable Date”) for ascertaining certain information herein), the issued share capital of the Company comprised 327,800,000 Shares.

If the Resolution No. 6 as set out in the Notice authorising the Directors to repurchase the Shares is passed at the forthcoming Annual General Meeting, and assuming that no new Shares are issued or repurchased prior to the date of passing the said resolution, based on the 327,800,000 Shares in issue as at the Latest Practicable Date, up to 32,780,000 Shares, representing 10% of the existing issued share capital of the Company, may be repurchased by the Company during the period from the date of passing the resolution and ending on the earliest of (i) the date of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting of the Company is required to be held by the Articles of Association of the Company or applicable laws of the Cayman Islands and (iii) the date upon which the resolution is revoked or varied by the shareholders of the Company in general meeting.

## **2. REASONS FOR THE REPURCHASES**

The Directors believe that it is in the best interests of the Company and its shareholders for the Directors to have a general authority from the Company’s shareholders to enable the Company to repurchase Shares in the market at any appropriate time. Such repurchase may, depending on market conditions and funding arrangements at that time, lead to enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

## **3. FUNDING OF REPURCHASES**

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of the Company, the GEM Listing Rules and the applicable laws of the Cayman Islands. The Company may not repurchase its Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. The Directors propose that any repurchases of Shares under the Repurchase Mandate will be financed from the Company’s internal resources.

## **4. WORKING CAPITAL**

There may be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited consolidated financial statements contained in the 2004 Annual Report) in the event that the proposed repurchase of Shares was to be carried out in full at any time during the proposed period mentioned in the above paragraph headed “Share capital”. However, the Directors expect to exercise such mandate if and to such extent only as they are satisfied that the exercise thereof will not have such a material adverse impact.

## 5. SHARE PRICES

The highest and lowest prices at which the Shares have traded on GEM of the Stock Exchange, prior to the Latest Practicable Date were as follows:

	Traded prices	
	Highest HK\$	Lowest HK\$
2004		
June (from 18 to 30 June 2004) ( <i>Note</i> )	0.45	0.31
July	0.35	0.29
August	0.30	0.28
September (up to the Latest Practicable Date)	0.28	0.25

*Note:* The Company has commenced the trading of the Shares on GEM of the Stock Exchange on 18 June 2004.

## 6. CODE ON TAKEOVERS AND MERGERS

If as a result of a repurchase of the Shares, a shareholder's proportionate interests in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code. As at the Latest Practicable Date, Dr. Yeung Wah Hin, Alex, the chairman of the Company, (together with his spouse Mrs. Yeung Tsui Mai Ling, Margaret, also a Director) (collectively "**Yeungs**") and Town Health International Holdings Company Limited ("**Town Health**") beneficially held aggregate of 121,538,824 Shares (representing 37.07% of the existing issued share capital of the Company) and 74,995,524 Shares (representing 22.88% of the existing issued share capital of the Company) respectively, were the only substantial shareholders (as defined in the GEM Listing Rules) holding more than 10% of the issued share capital of the Company. Should the power to repurchase Shares pursuant to the Repurchase Mandate be exercised in full and assuming there is no change in the respective percentage shareholdings of Yeungs and Town Health in the Company, Yeungs and Town Health would then be beneficially interested in 41.20% and 25.42% of the issued share capital of the Company respectively. Such increase will give rise to Yeungs (but not to Town Health) an obligation to make a mandatory offer under Rule 26 of the Takeovers Code.

Assuming that there is no issue of Shares or repurchase of Shares in the Company between the Latest Practicable Date and the date of a repurchase, an exercise of the Repurchase Mandate whether in whole or in part will not result in less than the relevant prescribed minimum percentage of the Shares of the Company being held by the public as required by the Stock Exchange. The Directors have no intention to exercise the Repurchase Mandate to an extent as may result in a public shareholding of less than such prescribed minimum percentage.

**7. CONNECTED PERSONS**

No connected person (as defined in the GEM Listing Rules) has notified the Company that it has a present intention to sell any of the Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**8. UNDERTAKINGS OF THE DIRECTORS**

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, their associates (as defined in the GEM Listing Rules) have any present intention to sell any of the Shares to the Company or its subsidiaries if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make repurchases pursuant to the Repurchases Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

**9. REPURCHASE MADE BY THE COMPANY**

The Company has made no repurchases of its own Shares (whether on GEM or otherwise) since listing on GEM of the Stock Exchange on 18 June 2004.