

**Analyst: Vincent Leung**

## **GEM-Board Listing - Research**

普施基因生物科技有限公司

**Plasmagene Biosciences Limited [Stock Code: 8250]**

<b>Sponsor</b>	: First Shanghai Capital Limited
<b>Lead Manager and Bookrunner</b>	: First Shanghai Securities Limited
<b>Sector</b>	: Medical services
<b>Business</b>	: R&D and commercialization of diagnostic testing services developed from 3 <sup>rd</sup> -party technologies

<b>Total share offer:</b> <u>64,000,000</u> shares <b>(19.51% of the enlarged share capital)</b> <b>IPO:</b> 6,400,000 shares (10%) <b>Placement:</b> 57,600,000 shares (90%)	<b><u>Business of Plasmagene</u></b> <p>Established in January 2001, Plasmagene is principally engaged in the medical business relating to diagnosis, and particularly relating to diagnosis of cancerous, prenatal and other major diseases. This involves conducting R&amp;D and commercialization of testing services developed from 3<sup>rd</sup>-party technologies diagnosis of cancerous, prenatal and other major diseases.</p> <p>The Company's sales of testing services include <i>EBgene</i>, <i>EBeasy</i> and <i>EBcombo</i>. These services use the PDx Technology to detect EB virus associated cancerous diseases, including nasopharyngeal cancer (鼻咽癌) and EB virus associated stomach cancer.</p>
<b>Price:</b> HK\$0.50 per share <b>Market Cap.:</b> HK\$163.9 million <b>Adjusted NTA per share:</b> HK\$7.2 <b>Staffing:</b> 13	
<b>IPO commences:</b> 8 <sup>th</sup> June 2004 <b>IPO closes:</b> 11 <sup>th</sup> June 2004 <b>Receiving bank:</b> Standard Chartered Bank <b>Share registrar:</b> Computershare Hong Kong Investor Services Limited <b>Listing date:</b> 18 <sup>th</sup> June 2004	

### **Major Shareholder after Listing**

*Dr. YEUNG Wah Hin, Alex (aged 56; the chairman and an executive director of the Company) and Ms. YEUNG TSUI Mai Ling, Margaret (aged: 46; the wife of the Company's chairman and an executive director of the Company)	37.07%
*Town Health International Holdings Company Limited ( <i>Stock code: 8138</i> )	20.67%
<b>^Applied Research Council (a company wholly owned by the Hong Kong SAR Government)</b>	4.28%
*Mr. CHENG Yan Tak, Angus Ronald (aged 42; the CFO and an executive director of the Company)	3.84%
*Mr. WONG Yan Kit (an initial management shareholder of the Company)	3.84%
*Mr. WONG Kim Wing (an independent 3 <sup>rd</sup> party)	3.59%
*Professor LO Yuk Ming (aged 40; a professor at the Chinese University)	2.88%
^MMFI CAPI Venture Investments (an independent 3 <sup>rd</sup> party; managed by a wholly-owned subsidiary of JAIC)	1.43%
^Japan Asia Investment Co., Ltd. (JAIC) (a company listed on JASDAQ in Japan)	0.86%
<b>*The Chinese University of Hong Kong Foundation Limited</b>	0.72%
^JAIC Technology Seed No. 1 Venture Capital Investment (a limited partnership owned by JAIC and other independent 3 <sup>rd</sup> parties)	0.57%
^Other independent 3 <sup>rd</sup> parties	0.74%
	<b>80.49%</b>
*- subject to a 21-month lock-up period after listing	
^*- subject to a 3-month lock-up period after listing	

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### Use of Proceeds

Net proceeds from the offer are estimated to be HK\$24.0 million.

	HK\$ million
To finance the patent expenditure in respect of existing and new testing services developed, or to be developed from technologies licensed to the Group	4.3
To fund the market activities relating to the Group's existing and future testing services	13.4
To fund the compliance in relation to the Group's business expansion to China, Australia, Japan and via the Internet	3.6
To fund the Group's research activities	2.7

### Financial Highlights

	6 months ended 31 <sup>st</sup> December 2003 HK\$	Year ended 30 <sup>th</sup> June 2003 HK\$	2002 HK\$
Turnover – Sales of testing services			
<i>EBgene</i>	228,720	477,660	248,575
<i>Ebeasy</i>	475,630	524,940	223,770
<i>Ebcombo</i>	9,510	31,770	-
<i>Pre-launch future testing services</i>	190,690	304,880	53,200
	<u>904,550</u>	<u>1,339,250</u>	<u>525,545</u>
Operating loss	<u>(2,258,244)</u>	<u>(4,721,473)</u>	<u>(3,065,794)</u>
Net loss	<u>(2,258,244)</u>	<u>(4,721,473)</u>	<u>(3,065,794)</u>
Dividend	-	-	-
Loss per share – basic	<u>(HK\$0.95)</u>	<u>(HK\$1.98)</u>	<u>(HK\$1.29)</u>

### Strengths / Opportunities

- ✓ All major shareholders are subject to a 21-month lock-up period after the listing of the Company's shares.

### Weaknesses / Threats

- × The Company currently does not own any patent or other intellectual-property right in the underlying technology for its testing services and has been reliant on the intellectual-property licences owned by 3<sup>rd</sup> parties.
- × During the track record period, the Company has not yet recorded a profit, not even at its operating level. Moreover, a turnaround is not expected in the near term on the back of significant investment in R&D and marketing of its tests.
- × Sales of diagnostic testing services to Spring Biotech (a wholly-owned subsidiary of Town Health, which is a major shareholder of the Company) accounted for 31.0%, 36.1% and 54.9% of the total turnover of the Company. Should Spring Biotech cease its business relationship with the Company and it fail to find replacement customers on comparable terms, the business operation of the Company would be adversely affected.

**Recommendation: Unexciting**