GMX
GeneMedix plc

Application has been made to the UK Listing Authority and to the London Stock Exchange for the admission to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities, of all of the Ordinary Shares which have been issued and which are proposed to be issued pursuant to the Placings. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 30 November 2000.

The application for admission to the UK Official List has been made pursuant to the provisions of chapter 20 of the Listing Rules, specifically in relation to the exemption from paragraph 3.6 of the Listing Rules in relation to the duration of business activities.

Application has been made to Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in and for quotation of all the Ordinary Shares which have been issued and which are proposed to be issued pursuant to the Placings. Such permission will be granted when the Company has been admitted to the Official List of the SGX-ST.

A copy of this document, which comprises listing particulars relating to GeneMedix, drawn up in accordance with the provisions of section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act.

The Directors of GeneMedix, whose names appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Your attention is drawn to Part 1 of this document which sets out risk factors. All statements regarding GeneMedix's business, financial position and prospects should be viewed in light of the risk factors set out in Part 1 of this document.

GeneMedix plc

(Incorporated in England and Wales under the Companies Act 1985 (as amended) with registered No. 3467317)

UK Placing of 14,477,778 Ordinary Shares of 1p each at 90p per share

and

Admission of the entire issued share capital of GeneMedix plc to the Official Lists of the UK Listing Authority and Singapore Exchange Securities Trading Limited

Financial Adviser and Sponsor

English Trust Company Limited

UK Stockbroker to the UK Placing

Collins Stewart Limited

Singapore Manager and Placing Agent

Overseas Union Bank Limited

Singapore Co-ordinator

Millennium Securities Pte Ltd

Share capital immediately following admission

Authorised			Issued and fully paid	
Number	Amount		Number	Amount
600,000,000	£6,000,000	Ordinary Shares of 1p each	289,660,252	£2,896,603

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 (as amended) or qualified for sale under the laws of any state of the United States or under the applicable securities laws of Canada, Australia, Ireland or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered or sold or delivered directly or indirectly, in or into the United States, Canada, Australia, Ireland or Japan or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Ireland or Japan or any person located in the United States. This document does not constitute an offer to sell or issue, or the solicitation of an offer to purchase or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and is not for distribution in any jurisdiction in which such distribution is unlawful.

No person is authorised in connection with any offer made hereby to give any information or to make any representation other than is contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Selling Shareholders or English Trust.

In connection with the preparation of this document and the application for Admission, English Trust Company Limited, which is regulated by The Securities and Futures Authority Limited, is, subject to its obligations under the Listing Rules, acting for GeneMedix and no one else and will not be responsible to anyone other than GeneMedix for providing the protections afforded to clients of English Trust Company Limited nor for providing advice in relation to the UK Placing.

Collins Stewart Limited are acting for GeneMedix plc in respect of the UK Placing and no one else and will not be responsible to anyone other than the GeneMedix for providing the protections afforded to clients of Collins Stewart Limited nor for providing advice in relation to the UK Placing.

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GeneMedix plc

CONTENTS

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Act"	the Companies Act 1985 (as amended)
"Admission"	the admission of the Existing Ordinary Shares and the New Ordinary Shares to the Official List of the UK Listing Authority and to trading on the market for listed securities of the London Stock Exchange becoming effective in accordance with paragraph 7.1 of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards published by the London Stock Exchange and admission of the Existing Ordinary Shares and the New Ordinary Shares to the Official List of the SGX-ST
"Articles"	the new Articles of Association adopted by the Company on 16 October 2000
"ASEAN"	the Association of South East Asian Nations
"CDP"	The Central Depository (Pte) Limited
"China"	The People's Republic of China
"Collins Stewart"	Collins Stewart Limited
"Company" or "GeneMedix"	GeneMedix plc
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 1995 (SI 1995 No.95/3272)) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by CRESTCo Limited
"Directors" or the "Board"	the directors of the Company, whose names appear on page 6 of this document
"Employee Option Agreements"	the individual share option agreements between the Company and certain employees of the Company, details of which are set out in paragraph 7.1 of Part 7 of this document
"English Trust"	English Trust Company Limited
"EU"	European Union
"Existing Ordinary Shares"	the Ordinary Shares in issue at the date of this document
"Existing Share Options"	the existing share options to subscribe for Ordinary Shares pursuant to the terms of the Employee Option Agreements
"FDA"	US Food and Drug Administration
"GMP"	Good Manufacturing Practice, being manufacturing practice meeting the standard set by the local pharmaceutical regulatory organisation
"Group"	GeneMedix and SDB, when the SDB Acquisition Agreement is completed
"Listing Rules"	the listing rules of the UK Listing Authority
"London Stock Exchange"	London Stock Exchange plc
"MCA"	UK Medicines Control Agency

DEFINITIONS

"New Ordinary Shares"	the 22,222,222 new Ordinary Shares to be issued pursuant to the Placings
"OFEX"	the off-exchange dealing facility provided by JP Jenkins Limited
"Ordinary Shares"	the ordinary shares of 1p each in the capital of the Company
"OUB"	Overseas Union Bank Limited
"Placing Price"	90p per UK Placing Share and S$2.22 per Singapore Placing Share
"Placing Shares"	the Ordinary Shares which are the subject of the Placings
"Placings"	together the UK Placing and the Singapore Placing
"Sale Shares"	the 55,556 Existing Ordinary Shares being sold by the Selling Shareholders which have been conditionally placed by Collins Stewart pursuant to the UK Placing
"SDB"	Shanghai Dongxin Biotechnology Co Ltd
"SDB Acquisition Agreement"	the agreement pursuant to which, subject to certain Chinese governmental approvals, the Company will acquire SDB and of which further details are set out in paragraph 11.3 of Part 7
"Selling Shareholders"	Eastgate Investments Limited (a company in which Dr Tan is interested), Dr Ting, Mr Mylchreest and SIB
"Shareholders"	the holders of Ordinary Shares
"Share Option Plan"	the Company's employee share option plan, details of which are set out in paragraph 7.2 of Part 7 of this document
"SIB"	Shanghai Institute of Biochemistry
"SIB Agreement"	the agreement between the Company and SIB further details of which are set out in paragraph 11.2 of Part 7
"Singapore Official List"	the Official List of the SGX-ST
"Singapore Placing"	the conditional placing by OUB of the Singapore Placing Shares pursuant to the Singapore Placing Agreement
"Singapore Placing Agreement"	the conditional agreement dated 24 November 2000 and made between the Company (1), the Directors (2) and OUB (3) further details of which are set out in paragraph 11.6.2 of Part 7 of this document
"Singapore Placing Shares"	the 7,800,000 New Ordinary Shares to be issued under the Singapore Placing
"SGX-ST"	Singapore Exchange Securities Trading Limited
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Services Authority, acting as the competent authority for listing in the United Kingdom for the purposes of Part IV of the Financial Services Act 1986
"UK Official List"	the Official List of the UK Listing Authority
"UK Placing"	the conditional placing by Collins Stewart of the UK Placing Shares, pursuant to the UK Placing Agreement

KEY INFORMATION

The section is solely derived from the full text of this document and is not intended to be exhaustive. This information should be read in conjunction with the rest of the document.

GeneMedix

The principal activity of GeneMedix is the development, manufacture and marketing of generic versions of therapeutic proteins using recombinant DNA technology. GeneMedix has funded and established collaborations with the Shanghai Institute of Biochemistry and has acquired the worldwide rights to a number of high expression cell lines for the production of generic therapeutic proteins. The Company intends to manufacture the proteins to western GMP standards, in low cost base facilities in several countries, and sell the products on a worldwide basis. The initial target markets will be China, India, ASEAN countries and Eastern Europe.

Technology

The Company has acquired the rights to seven cell lines for the production of therapeutic proteins. The technology is based on recombinant DNA expertise to engineer cell lines to produce a specific protein. The cells that are modified are one of bacterial, mammalian or yeast. Once the cell line for a specific protein has been created, the cells can be grown and the protein extracted and purified. The next phase is the development of the commercial scale manufacturing facility for that protein.

Strategy

The Company is focusing on what it considers to be large market, high value protein products for which there is no patent coverage in some territories or for which patent coverage is nearing expiry. The patent coverage for the Company's proteins of interest varies around the world. The Company intends initially to sell the protein products in the non-patent protected markets and subsequently in an increasing number of countries as patents expire. In addition, the Company intends to manufacture the products in low cost territories with the first manufacturing facility being established in China.

Development Portfolio

The Company has acquired the right from SIB to cell lines that are capable of producing erythropoietin (EPO), granulocyte macrophage-colony stimulating factor (GM-CSF), interferon-α-2b (IFN-α-2b), interferon-γ (IFN-γ), interleukin-2 (IL-2), human insulin and epidermal growth factor (EGF). With the exception of EGF, which is a new therapeutic product in China, all the products will be generic to existing marketed products. The Company intends to launch GM-CSF in China in early 2001 with EPO and IFN-α-2b scheduled for manufacture in 2002. The development programme for human insulin has commenced and is the next phase of work for IFN-γ and IL-2. EGF is currently in clinical trials in China for two indications involving topical application.

Recent developments

The Company has entered into an agreement to acquire 75 per cent. of the shares in a Chinese biopharmaceutical manufacturing company, Shanghai Dongxin Biotechnology Co Ltd (SDB), whose manufacturing facility is in the Pudong district of Shanghai. This facility will be the Company's first manufacturing facility at which it intends to manufacture GM-CSF and IFN-α-2b. The Company has in place agreements pursuant to which its first product can be manufactured by SDB at this manufacturing facility for five years whether or not the acquisition is concluded.

The Company has entered into a memorandum of understanding with a pharmaceutical distributor in China, where the Company intends to launch the first product, GM-CSF, in early 2001.

Senior Management

The initial research that constitutes the basis of the Company was started in 1995 and funded by Dr Kim Tan. Dr Tan is the non-executive Chairman of the Company and is the founder of the biotechnology company KS Biomedix. The Chief Executive Officer is Paul Edwards, formerly Vice President and General Manager of Genzyme Corporation's UK operation. Dr Hong-Hoi Ting, a co-founder of the Company, acts as a Marketing Director and is based predominantly in China.

In addition, the Company has assembled a senior management team who are experienced in the development, manufacture, approval and marketing of pharmaceutical and biotechnology products.

Use of proceeds

The Directors are to use the proceeds of the Placings to part finance the acquisition of SDB, to develop the facilities at SDB, to construct or acquire further facilities for the manufacture of proteins and for working capital including marketing and product development costs.

Statistics Relating to the Placings

Placing Price per UK Placing Share	90p
Placing Price per Singapore Placing Share	S$2.22
Number of Ordinary Shares in issue following the Placings	289,660,252
Market capitalisation at the Placing Price at Admission	£260.7 million
Number of Ordinary Shares subject to the UK Placing of which:	
On behalf of the Company	14,422,222
On behalf of the Selling Shareholders	55,556
Number of Ordinary Shares subject to the Singapore Placing on behalf of the Company	7,800,000
Percentage of enlarged issued share capital subject to the UK Placing	5.0%
Percentage of enlarged issued share capital subject to the Singapore Placing	2.7%
Net proceeds of the Placings to be received by the Company	£18.5 million

Share Trading Arrangements

The Ordinary Shares will be traded on the London Stock Exchange quote driven system. It is anticipated that Collins Stewart and Winterflood Securities Limited (the Market Makers) will be making continuous two-way prices (that is, prepared to buy or sell Ordinary Shares).

Dealings in the Ordinary Shares on the SGX-ST will be conducted in Singapore dollars in board lots of 1,000 Ordinary Shares each. All dealings in and transactions of Ordinary Shares in Singapore must be effected for settlement through the computerised book-entry (scripless) settlement system of CDP. Settlement of dealings through the CDP system may be effected only by Depository Agents or shareholders who have their own Securities Account with CDP, and shall be made in accordance with the Terms and Conditions for Operation of Securities Account with CDP. If you are a non-Singapore resident, you must open a Securities Sub-Account with a Depository Agent or, if you want to maintain a Securities Account with CDP, you must appoint a local agent to handle your entitlements.

Expected Timetable

Admission of the Ordinary Shares to the Official List of the UK Listing Authority and dealings in the Ordinary Shares to commence on the London Stock Exchange	30 November 2000
Admission of the Ordinary Shares to the Official List of SGX-ST and dealings in the Ordinary Shares to commence on the SGX-ST	1 December 2000
Settlement expected to commence within CREST on	30 November 2000
Despatch of definitive share certificates, on	30 November 2000

PART 1 RISK FACTORS

Prospective investors should be aware that an investment in the Company involves a substantially high degree of risk. In addition to the other information contained in this document, the following risk factors affecting the Group should be considered carefully in evaluating whether to make an investment in the Company and, in particular, should be read in conjunction with the Expert's Report in Part 3 of this document, the Patent Agent's Report in Part 5 of this document and the information on regulatory procedures and approvals set out in Part 2 of this document.

EARLY STAGE OF DEVELOPMENT OF THE COMPANY'S PRODUCT PORTFOLIO

The Company has not yet successfully marketed any of its potential products, and there can be no assurance that any of the Company's product candidates will be successfully marketed. The Company may encounter delays and incur additional production costs and expenses, over and above those expected by the Directors, in order to manufacture products sufficient for commercial distribution. Furthermore, there can be no assurance that any of the Company's products, that have not already done so, will successfully complete trials or that they will meet the regulatory and production requirements necessary for commercial distribution. Adverse or inconclusive results from testing or trials of these candidates may substantially delay, or halt entirely, any further development of the products.

Whilst the Directors believe that the Company may only need to establish bioequivalence and product safety to obtain regulatory approval of those existing marketed therapeutic proteins proposed to be manufactured by the Company, there can be no assurance that this will be the case. The regulatory authorities in one or more jurisdictions may require that full-scale clinical trials are undertaken on all products before marketing approval is given. The Company's products may not successfully complete such clinical trials and marketing approval may not be given or only be given subject to restrictions and limitations which may mean that such products are not commercially viable.

PRODUCT TESTING AND REGULATORY APPROVAL

In all countries the Company will be required to obtain and maintain regulatory approval ("marketing authorisation") for its products from the relevant regulator to enable such products to be marketed in that country. The grant of a marketing authorisation for a generic medical product requires the evaluation of clinical data relating to efficacy, safety, and, under current regulations, bioequivalence of a product with the patented product. The regulatory regime for generic proteins produced using recombinant DNA technology is subject to review in a number of jurisdictions. The manufacture of medicinal products is also subject to regulatory approval. There can be no assurance that any of the Company's products, that have not already done so, will successfully complete the trial process or that regulatory approvals to manufacture and market the Company's products will ultimately be obtained.

Different regulatory authorities in different countries may impose their own differing requirements (by, for instance, restricting the product's indicated uses) and may refuse to grant, or may require additional data before granting an authorisation, even though the same product may have been approved by another country. If an authorisation is obtained, the product and its manufacture are subject to continual review and there can be no assurance that such approval will not be withdrawn or restricted. Changes in applicable legislation or regulatory policies, or discovery of problems with the product, production process, site or manufacturer may result in the imposition of restrictions on the product's sale or manufacture, including withdrawal of the product from the market, or may otherwise have an adverse effect on the Company's business.

There can be no assurance that regulatory regimes in major markets will not change so that the Company's products are required to undergo full three phase clinical trials prior to receiving regulatory approval.

PART 1 RISK FACTORS

MARKETING RISK

Even if the Company's products are successfully developed and approved by the appropriate regulatory agencies, they may not enjoy commercial acceptance or success, which would adversely affect the Company's business and results of operations. Several factors could limit the Company's successful commercialisation of products, including:

- possible limited market acceptance among patients, physicians, medical centres and third party purchasers;
- the Company's inability to access a sales force capable of marketing the product;
- the Company's inability to supply a sufficient amount of product to meet market demand; and
- the number and relative efficacy of competitive products that may subsequently enter the market.

COMPETITION

The industries in which the Company operates are highly competitive and may become even more competitive. The Company will need to continue to devote effort and expense to research and development in order to maintain a competitive position. It is possible that developments by others will render the Company's current and proposed products or technologies obsolete. Many of these competitors have greater financial and human resources and more experience in research and development than the Company. Competitors that complete trials, obtain regulatory approvals and begin commercial sales of their products before the Company will enjoy a significant competitive advantage. The Company anticipates that it will face increased competition in the future as new companies enter the market and alternative technologies become available.

USE OF HAZARDOUS MATERIALS

The Group's activities can involve the controlled use of hazardous materials, chemicals and biological materials. Although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by relevant regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable for any damages that result and any such liability could exceed the insurance cover held by and/or the resources of the Company.

MANUFACTURING

The Company's proposed products must be manufactured in commercial quantities, in compliance with regulatory requirements and at acceptable cost. The Company does not yet own and operate manufacturing facilities sufficient to make commercial quantities of its products under development. The Directors anticipate that additional expenditure, management resources and time will be required to develop adequate manufacturing capabilities. There can be no assurance that the Company will be able to develop and manage commercial manufacturing capabilities. There can be no assurance that the SDB manufacturing facility will be approved as meeting required standards for production of the products planned to be produced in the facility or that having received such approval or approvals it will maintain such approval or approvals or that it will maintain or receive and maintain Chinese and western GMP status.

RELIANCE ON SIB FOR INTELLECTUAL PROPERTY RIGHTS

Due to the nature of the Group's business in the research, development, manufacture and marketing of certain drugs, the Group is dependent on patents, licences and other intellectual property rights. In particular, the Group has been granted certain exclusive and non-exclusive licences by SIB in relation to certain cell lines (for details please see paragraph 11.2 of Part 7). The Company cannot be certain that the intellectual property to which the licences relate do not or will not infringe upon third party rights which may result in the Group's inability to continue exploiting the intellectual property pursuant to the licences. The Group did, however, receive a warranty from SIB that this intellectual property did not infringe any third party intellectual property at the date of the Agreement. The value of such exclusive

and non-exclusive licences may also be affected by unauthorised third-party use of the intellectual property to which the licences relate. However the Group was granted the right under the agreement with SIB to enforce and defence this intellectual property and it would be the Group's intention to enforce and defend this intellectual property rigorously against all unauthorised infringers of which it became aware.

PATENTS AND PROPRIETARY RIGHTS

The Company's ability to compete effectively with other companies depends, among other things, on the development of the production technologies for its various products. However, there can be no assurance that competitors have not developed or will not develop substantially equivalent information or techniques. Substantial costs may be incurred if the Company challenges the proprietary rights of others or is required to defend its right to operate, develop products and undertake sales in territories where it believes it is free to so do and the outcome of any such challenge or defence would be uncertain.

The commercial success of the Company will depend upon non-infringement of patents granted to third parties who may have filed applications or who have obtained or may obtain patents relating to products and genes which might inhibit the Company's ability to develop and exploit its own products. If this is the case, the Company may have to obtain alternative technology or reach commercial terms on the exploitation of other parties' intellectual property rights. There can be no assurance that the Company will be able to obtain alternative technology or, if any licences are required, that the Company will be able to obtain any such licence on commercially favourable terms, if at all. This may have a material adverse effect on the Company. Finally, there can be no assurance that the Company will be able to sufficiently protect proprietary intellectual property that the Company maintains as trade secrets.

HISTORY OF OPERATING LOSSES AND ACCUMULATED DEFICIT

The Company has experienced operating losses in each year since its inception and, as at 31 May 2000, had an accumulated deficit of approximately £365,000. The Company expects to incur further substantial operating losses over the next few years as its research and development activities continue and increase and as it develops and increases its manufacturing capabilities. The revenue and profit goals of the Company depend on a number of factors outside the Company's control and there can be no assurance that the Company will ever achieve significant revenues or profitability.

REQUIREMENTS FOR ADDITIONAL FUNDS

The Company's future capital requirements to expand the number of products and to complete the commercialisation of such additional product candidates may be substantial, and additional funds will be required. The level and timing of expenditure will depend on a number of factors, many of which are outside the control of the Company. If additional funds should be raised by issuing equity securities, dilution of existing shareholdings will result. In addition, there can be no assurance that the Company will be able to raise additional funds when needed, or that such funds will be available on terms favourable to the Company.

PHARMACEUTICAL PRICING ENVIRONMENT

The commercialisation of the Company's products depends, in part, on the extent to which reimbursement for the costs of such products will be available from government health administration authorities, private health coverage insurers and other health funding organisations. The situation in China and other Asian markets is complex but in general there exists some element of price control on pharmaceuticals. There is increasing pressure by certain governments to contain health care costs by limiting both coverage and level of reimbursement for therapeutic products and by refusing, in some cases, to provide any coverage for uses of approved products for disease conditions for which the relevant regulatory agency has not granted marketing approval. There can be no certainty that adequate health administration or third party coverage will be available to the Company's partners and licensees to obtain price levels for the products sufficient to realise an appropriate return on investment.

PART 1 RISK FACTORS

RETENTION OF KEY EMPLOYEES

GeneMedix is heavily reliant upon the skills of its management team and the loss of any of these key members of staff could reduce the Company's ability to achieve its planned development objectives. The Company has endeavoured to ensure that the principal members of its management and scientific team are incentivised, but the retention of such staff cannot be guaranteed.

PRODUCT LIABILITY AND INSURANCE

The Company's business exposes it to potential product liability risks which are inherent in research and preclinical study, clinical trials, manufacturing, marketing and the use of human therapeutic products. In addition, it may be necessary for the Company to secure certain levels of insurance as a condition to the conduct of clinical trials, where these are required. There can be no assurance that future necessary coverage will be available to the Company at an acceptable cost, if at all, or that, in the event of a claim, the level of insurance carried by the Company now or in the future will be adequate or that a liability or other claim would not materially and adversely affect the business.

CHINA

The Group has agreements and will have further agreements critical to its operations with companies and institutions based in China. The Chinese legal system does not yet provide the same level of certainty of enforcing contractual rights as is found in developed capitalist economies. In addition, the Group's ability to exploit commercially its products in China will require it to obtain Chinese regulatory permissions and consents. The regulation of foreign owned pharmaceutical products can be changed without necessarily the same type of consultations and notification prevalent in developed capitalist economies. The regulation of pharmaceutical products generally in China is subject to change and new regulations are currently being published. China currently has in place exchange control regulations controlling the import and export of foreign currency, both for current and capital transfers, as well as payment of dividends. These regulations may prevent or delay remittance of management fees, dividends or repayment of capital from SDB to the Company. Guidelines relating to the provision of legal opinions by Chinese lawyers in connection with the listing of foreign companies have been recently published. The Company's Chinese lawyers have confirmed that these regulations do not apply in respect of the Company's applications for listing. However, uncertainty remains as to whether such guidelines apply to the Company and/or its Chinese lawyers. These guidelines do not expressly provide for any penalty or sanctions for non-compliance, however the developing nature of such guidlines means that the possibility exists that penalties or sanctions may be imposed. These risks are likely to be reduced as and when China joins the World Trade Organisation and moves to more transparent regulation and enforcement of contractual rights. The operations of the Group in China will, as a result of these uncertainties, have a greater degree of risk than equivalent operations in more developed capitalist economies.

SHARE PRICE VOLATILITY AND LIQUIDITY

The share price of publicly traded, emerging companies can be highly volatile. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect the quoted pharmaceutical sector or quoted companies generally. These factors could include the performance of the Company's research and development programmes, large purchases or sales of the Ordinary Shares, currency fluctuations, legislative changes in the healthcare environment and general economic conditions.

FLUCTUATION OF OPERATING RESULTS

The operating results of the Company may fluctuate significantly as a result of a variety of factors, many of which are outside the Company's control. Period-to-period comparisons of the Company's operating results may not be meaningful and investors should not rely on them as indications of the Company's future performance. The Company's operating results may fall below the expectations of securities analysts and investors. In that event, the trading price of the Ordinary Shares would almost certainly fall.

PART 2 INFORMATION ON GENEMEDIX

Introduction

The principal activity of GeneMedix is the development, manufacture and marketing of generic versions of therapeutic proteins using recombinant DNA technology. The Company is establishing low cost base manufacturing facilities with the intention of putting quality systems in place in these facilities that will meet with international regulatory standards. The Directors believe this will assist GeneMedix to access a global market place.

GeneMedix has established collaborations with the Shanghai Institute of Biochemistry ("SIB") and has acquired the worldwide rights to a number of high expression cell lines for the production of generic biopharmaceutical products. The Company has targeted a number of large market value biopharmaceutical products that are not patent protected in several markets and have patent protection expiring shortly in other markets.

It is intended that the products will initially be marketed in China and the ASEAN territories, through distribution agreements. Marketing in other territories will be addressed in a number of ways, including through collaborative agreements with major multi-national partners and drug delivery companies.

GeneMedix has assembled a Board and senior management team with a broad range of experience covering the establishment of joint-venture deals in Asia, the construction and start-up of international pharmaceutical facilities including involvement in more than 20 FDA/MCA approvals, the application for product licences from regulatory authorities in many territories and the marketing of drug products in the international arena.

GeneMedix has entered into an agreement to acquire a controlling interest in Shanghai Dongxin Biotechnology Co. Ltd ("SDB") (further details of the SDB Acquisition Agreement are set out in paragraph 11.3 of Part 7) the completion of which is conditional upon Chinese governmental approval. On completion of this acquisition, GeneMedix will have established its first manufacturing joint-venture facility in China, and plans to produce products in this facility from early 2001. The Company has in place agreements (further details of which are set out in paragraphs 11.4 and 11.5 of Part 7) with SDB pursuant to which the Company's first product can be manufactured by SDB at this facility for five years, whether or not the acquisition is concluded. It also has a medium term plan to establish other manufacturing facilities over the next 12–24 months.

History

Dr Kim Tan created the business concept behind the Company in 1995 and personally started to fund research work at the SIB from that time. The Company was incorporated in November 1997 and the rights to the work conducted by SIB, pursuant to the arrangement with Dr Kim Tan, were licensed to the Company in consideration for the issue of 33,333 ordinary shares of £1 each in the Company in October 1999. Further details of the SIB Agreement are set out in paragraph 11 of Part 7.

Since incorporation, the Company has raised approximately £1.2 million from private investors in December 1999 and January 2000 and approximately £3.3 million from private and institutional investors in July 2000. These two issues valued the Company at £11 million and £178 million respectively. The Directors believe that the increase in the value attributed to the Company derives from appreciation of how its product portfolio has been created and developed, the development of the management team and infrastructure of the Company during the intervening period and the higher profile resulting from the press coverage of its Ordinary Shares being traded on OFEX. The Ordinary Shares were traded on OFEX from January 2000 until September 2000, when they were suspended at the Company's request whilst the application for Admission was undertaken. During this period of trading on OFEX the lowest and highest share prices were (after adjusting for the bonus issue of October 2000) 30p and 145p, valuing the Company at approximately £80 million and £350 million respectively. The Ordinary Shares were suspended from trading on OFEX at a mid-market price of 122p (after adjusting for the bonus issue of October 2000). Further information on the trading of the Ordinary Shares on OFEX is set out in paragraph 13.12 of Part 7.

In November 2000, GeneMedix entered into an agreement with Shanghai ShenglongDa Biotech (Group) Ltd. ("ShenglongDa") to acquire 75 per cent. of the shares in one of its subsidiaries, SDB.

ShenglongDa will retain the remaining 25 per cent. of the shares of SDB. SIB owns 52 per cent. of ShenglongDa. Further details of this agreement and other agreements relating to SDB are set out in paragraph 11 of Part 7.

Business

The business of the Company is the development, manufacture and marketing of generic versions of therapeutic proteins. The proteins are produced by inserting the gene that codes for the protein into a bacterium, yeast or mammalian cell and then growing the bacterium, yeast or mammalian cell in fermenters to produce the protein. The person or company who first defines the gene for the protein, and the process whereby the protein is manufactured, is entitled to patent the gene and the manufacturing process but, as with non-recombinant products, this does not necessarily prevent others from producing competing proteins either in territories where no patents have been obtained or in territories where the patents have expired.

The core activity of the Company is to sponsor research, currently solely by SIB pursuant to the SIB Agreement (further details of which are set out in paragraph 11 of Part 7), and then by use of its development expertise, to develop and manufacture generic versions of unpatented and off-patent drugs using the results of this research. SIB has granted the Company an unlimited, royalty free, exclusive worldwide (but non-exclusive in China) licence to seven cell lines each of which produces a different therapeutic protein. One product, granulocyte macrophage-colony stimulating factor ("GM-CSF"), is scheduled for commercial manufacture in early 2001. Two others, namely Erythropoietin ("EPO") and Interferon-alpha ("INF-α"), are scheduled for commercial manufacture during 2002. Further details of the GM-CSF, EPO and INF-α products and the Company's other four products are set out on pages 18 to 21 of this document.

The Company focuses on biotechnology drugs where the per dose cost is high (usually in excess of $100) and which are either unpatented in certain geographical areas, where the Directors believe there is high market potential or are coming off patent in the next 5–10 years. To this end, the strategy of the Company is to establish low cost base manufacturing facilities. To achieve this, the Company may acquire and upgrade existing biopharmaceuticals manufacturing facilities rather than build completely new facilities. The Company is establishing one such facility in China through its acquisition of a controlling interest in SDB. The Company is also considering establishing manufacturing facilities in other jurisdictions outside China where fiscal incentives exist.

The products will be marketed and distributed in a number of ways. It is intended that the initial sales of the products will be in territories where no third party has patent rights, via the establishment of distribution agreements. The Company will also seek to establish collaborative agreements with multi-national pharmaceutical suppliers and drug delivery companies to introduce the range of products into the global market place. GeneMedix seeks to achieve its objectives through a project based approach, using the following development process:

Acquisition of cell lines

The Company has established collaborations with SIB, and has acquired the worldwide rights (exclusive outside China and non-exclusive within China) to cell lines that produce relatively high quantities of the desired proteins ("high expression cell lines") for the production of generic biopharmaceutical products. To date, the Company has acquired the rights to seven cell lines from SIB for the production of EPO, GM-CSF, IFN-α, interferon-gamma ("INF-γ"), interleukin-2 ("IL-2"), insulin and epidermal growth factor ("EGF"), all of which will be generic products with the exception of EGF which has not yet been approved for use in China. Further details on these products are set out below.

Evaluation of acquired cell lines

Once the cell lines have been acquired, they are sent for evaluation by an independent laboratory to establish their efficiency and yield. These are measures of the rate of cell growth and amount of protein produced and collected from the cells.

Process Development

Upon successful evaluation, a process development programme is established for each product to generate a robust, reproducible and scaleable manufacturing process. These programmes are outsourced to carefully selected development partners, while the overall management remains in the hands of a GeneMedix manager. The end product is a manufacturing process that is ready to undergo technical transfer to the full scale manufacturing facility where the cells are grown and the protein extracted and purified. Typical timelines for a process development programme would be approximately 12-15 months.

BioEquivalence Clinical Trials

For generic products, the minimum requirement for product registration with the relevant regulatory authority will be bioequivalence studies. This involves relatively small studies comparing the GeneMedix products with named and branded products that are already licensed for sale. It is likely that additional clinical requirements will have to be satisfied in some territories, particularly the EU and the US. In addition, GeneMedix intends to carry out toxicological studies on the products. This data will then be used in submissions for regulatory approvals in different territories.

Establishment of Manufacturing Operations

Manufacturing facilities are to be established in countries where low production costs and fiscal incentives can be exploited to the Company's advantage. GeneMedix intends to establish or upgrade its manufacturing facilities to meet Western GMP standards and to employ managers experienced in working to Western GMP standards. This should enable GeneMedix to meet the manufacturing standards of all the relevant regulatory bodies, which the Directors believe will assist GeneMedix to access the global market place.

Regulatory Approvals

The Company must obtain a product licence for each territory in which it intends to market a product. The chronological order of these applications for product licences will be dependent on the market potential, patent position and the regulatory requirements for each country. The Company intends initially to apply for product licences in Asia. Typical times for receiving regulatory approval, post submission, would vary from 6–24 months.

Establishment of Sales and Distribution networks

It is the intention of the Company to sell products through existing distributors where appropriate, with the initial target markets being China, India, the ASEAN territories, Eastern Europe and other regions where patent protection does not exist. The Company also intends to enter into collaborative agreements with multi-national pharmaceutical suppliers and drug delivery companies to provide the protein drugs in either the finished or bulk forms.

In addition to the core business of developing and manufacturing generic biopharmaceuticals, the Company will continue to work with SIB to obtain the right to technology and know-how which, in the opinion of the Directors, will provide opportunities to obtain patent protection and potentially to enter into licensing arrangements with third parties. To date, this has resulted in the filing of two international patent applications by the Company on behalf of SIB; one for a potentially novel gene sequence for a monomeric insulin and the other for triplex-forming oligonucleotides for use in tumour inhibition. Pursuant to the SIB Agreement, the Company has the right to out-licence any patent rights granted with respect to the former application, and is seeking to enter into a similar arrangement with SIB with respect to the latter application.

Regulatory status and plans

GeneMedix intends to match or exceed all local manufacturing and regulatory requirements in its initial target markets of China, India, the ASEAN territories and Eastern Europe. In the longer term, the Company will target countries in Europe and the US. The Directors believe that for all territories the minimum requirement will be a bioequivalence study. It is highly likely that there will be additional requirements in Europe and the US. The Company is in discussions with the regulatory authorities in

China, India, Singapore, Malaysia, the UK and Poland to establish the data requirements in these territories.

China

In China, the State Drug Administration ("SDA") is responsible for regulation and approval of pharmaceutical agents. Regulation in China can be complicated and involves a large number of government authorities at the national, provincial and local levels. Key requirements for drug licensing in China are a GMP licence for the manufacturing plant, a Certificate of New Medicine and product validation via testing of three commercial scale batches. The typical timeline for the approval of a new chemical entity ("NCE") is 18–26 months from submission. Since GeneMedix will be seeking approval for generic products rather than for NCEs, the Directors expect the timelines to be from 6–24 months.

The manufacturing plant operated by SDB has a Chinese GMP licence. Furthermore, SDB has a current Certificate of New Medicine for GM-CSF. The final requirement for the manufacture of three validation batches of GM-CSF has been carried out under the Company's supervision. These validation batches now need to be approved by the SDA, which is the final regulatory requirement to be satisfied before GM-CSF may be sold in China.

Having gained a Certificate of New Medicine for GM-CSF in China, the Directors believe SDB is well positioned to gain further such approvals in China and to manufacture the Company's products for the Chinese marketplace.

Other territories

A Chinese licence for the manufacture of GM-CSF, or other proteins, to Chinese GMP standards may be acceptable in India, the ASEAN territories and several East European countries. The Company considers that it will be necessary to obtain further details on local market conditions before it can finalise its launch plan in these territories. In addition, GeneMedix intends to ensure the upgrade and operation of the manufacturing facility in China to Western GMP standards. The Directors believe this will assist GeneMedix to access a greater range of markets.

Locations

GeneMedix has its operational headquarters in Newmarket, Suffolk, UK. All research and process development operations are currently outsourced and are managed by and are under the control of the senior management group. The Company currently has research and process development contracts taking place in China and the UK respectively. The development work being undertaken in the UK is to evaluate the efficiency and stability of the cell lines and associated processes. Bioequivalence studies and toxicology studies are undertaken by clinical centres in Europe which have the established systems and resources required to meet international trial standards.

Manufacturing status and plans

The Company intends to establish three manufacturing facilties. Each facility will be dedicated to either bacterial cell fermentation (for GM-CSF, IFN-α, IFN-γ and EGF), mammalian cell fermentation (for EPO) or yeast cell fermentation (for insulin). The planned capacities of these manufacturing facilities exceed projected product sales to at least 2006, and the manufacturing processes to be established for the Company's lead products, GM-CSF, INF-α and EPO, are amenable to simple empirical scale-up. The high-yielding nature of the cell lines used by GeneMedix allows operations to be carried out in small-scale equipment, therefore limiting initial capital investment and the cost of further expansion plans. Such small-scale processes offer the potential to minimise regulatory issues surrounding manufacture because they enable the use of process consumables from external suppliers. It is the responsibility of such suppliers to guarantee the quality and suitability of the process consumables, thereby reducing the input required by GeneMedix in validating and documenting production processes.

The first manufacturing plant for the Company's products is located in the Pudong district of Shanghai, China (see section below) and will be dedicated to bacterial cell fermentation.

GeneMedix is also considering the potential for setting up manufacturing facilities outside China. There are several territories currently under investigation where the Directors believe fiscal incentives can be exploited to the Company's advantage.

Shanghai Dongxin Biotechnology Co. Ltd.

The Company has entered into an agreement to acquire a controlling share interest in a Chinese biopharmaceutical manufacturing company, SDB, whose manufacturing facility is located in the Shanghai ZhangJiang High-Technology Park in the Pudong district of Shanghai. The manufacturing facility is organised within a 3 storey building, with an overall floor area of approximately 3,900 square metres. The ground floor houses services. The middle floor is fitted out with modern sterile manufacturing equipment appropriate for the manufacture of GM-CSF. The third floor of the manufacturing facility is unused, allowing expansion capacity to manufacture other products currently being developed by GeneMedix. The facility has recently undergone a successful regulatory inspection from the SDA, the Chinese authority responsible for the regulation and approval of pharmaceutical products. As a result, in March 2000, SDB was granted a Chinese GMP licence with a requirement to make one engineering upgrade. Once the requested upgrade is complete, the GMP licence will be up for renewal for a further 5 year period in March 2001. The Directors do not anticipate any problems obtaining this renewal. It is intended to rename the Chinese company the "Shanghai GeneMedix Biotechnology Company Ltd".

In addition to the manufacturing building, the SDB facility includes a further 1,096 square metres of office accommodation.

GeneMedix has commissioned a report, from a reputable process engineering contractor, assessing the SDB production facility in China and estimating the investment required to bring the facility up to Western GMP standards. Work will be carried out on the facility in two phases. The first phase is to make the modifications required for Chinese GMP as described above. The second phase is to upgrade the facility to Western GMP standards. This remedial and upgrade work is likely to be carried out by the contractor who prepared the original report. The Company intends all work to be completed by end 2001.

The Company has entered into an agreement to acquire a 75 per cent. shareholding in SDB from ShenglongDa for a purchase price of £5.3 million. In addition, the Company has agreed to make a further capital contribution to SDB of approximately £1.43 million, making the Company's total investment in SDB £6.73 million. In the opinion of the Directors, having regard to the GMP licence granted to, and the expansion capacity of, SDB's manufacturing facility and SDB's Certificate of New Medicine for GM-CSF, the purchase price and further investment is reasonable. The payment of the purchase price and the further investment is deferred until completion which will take place on receipt of a certificate of approval for the acquisition from the Chinese government and a new business licence for SDB. Having already received project approval for this acquisition from the Chinese government, the Directors do not anticipate any difficulties in obtaining the final approval and new business licence. The purchase price and the further investment will be financed as to £3.1 million by existing cash resources. The balance is to be satisfied by the issue of loan notes redeemable, at the option of ShenglongDa, either in cash or by an issue of new Ordinary Shares. If ShenglongDa chooses a cash payment, the payment will be financed out of the proceeds of the Placings. If the Company fails to pay any part of the consideration, for example, if ShenglongDa chooses the cash payment and the Placings do not proceed, the shareholding acquired by the Company will be reduced proportionately.

The Company has also entered into manufacturing and intellectual property agreements with SDB pursuant to which, whether or not the agreement to acquire a controlling interest in SDB is completed, the Company can have its initial product, GM-CSF, manufactured under its control at SDB's facility.

Further details of the SDB Acquisition Agreement and the manufacturing and intellectual property agreements relating to SDB are set out in paragraph 11 of Part 7.

Shanghai Institute of Biochemistry

The SIB was established in 1958 under the Chinese Academy of Sciences. The SIB is viewed as a flagship of Chinese biochemistry and gained international recognition in the 1960's as the first institution to perform the total synthesis of crystalline bovine insulin.

Of the SIB's staff of 526, there are 119 senior scientists and 355 personnel directly engaged in research. Currently SIB also has 165 students, 62 of whom are working towards doctoral degrees. Many of SIB's doctorate students choose to continue their postdoctoral research overseas. SIB now has over 400 alumni in the US. The main research effort of SIB is focussed on the structure-function relationship of biological macro molecules (e.g. DNA, RNA), molecular genetics and genetic engineering.

SIB is funded by the Chinese government, but also receives external grants from organisations such as the Rockefeller Institute in the US and the Max Planck Institute in Germany. The SIB is responsible for implementing Chinese national policy to spearhead the contribution of science and technology to the economic construction of China.

Products and Projects under development

GeneMedix has an agreement with SIB under which it has acquired rights to a number of high yielding cell lines. The cell lines have been created at SIB and produce a range of protein products. The products are at different stages of process development, as described in further detail below.

Erythropoietin ("EPO")

The endocrine system is the group of organs in the human body whose main function is to produce and secrete hormones. Hormones are the messengers released into the bloodstream which co-ordinate activities in all parts of the body. EPO is the hormone produced by the kidneys that stimulates red blood cell production. Red blood cells are the most common cellular blood components and make up nearly half of the blood's volume. The red blood cells contain haemoglobin that enables them to transport oxygen from the lungs to all parts of the body.

EPO is an acidic glycoprotein that may occur as two main forms, namely alpha (α) and beta (β). The α and β forms differ in their carbohydrate components. However, they have the same potency, biological activity and molecular weight.

A lack of EPO results in the clinical condition of anaemia, a condition where the number of red blood cells is below normal. EPO is used for the treatment of anaemia associated with EPO deficiency in chronic renal failure and also to increase the yield of autologous blood (blood donated prior to elective surgery) in normal individuals.

The first company to patent and produce a recombinant human EPO was Amgen, an American biotechnology company. Amgen has successfully gained approval for several indications for EPO and EPO is among the world's best selling protein drug products. GeneMedix is developing a generic EPO product. The cell line for this product has been created, a stable cell bank has been established and process development work is being conducted. The EPO produced from this cell line in China has been tested in a toxicology study and a bioequivalence study is underway. The Directors anticipate the report on the bioequivalence study to be completed in the next two months. The Directors believe that commercial production will commence in late 2002.

Granulocyte macrophage-colony stimulating factor ("GM-CSF")

White blood cells (leukocytes) are the body's defence against infective organisms and foreign substances. They are produced in the bone marrow and consist of five major types, namely neutrophils, lymphocytes, monocytes, eosinophils and basophils. Neutropenia is a condition where

neutrophils, the primary cellular defence against bacteria and fungi, are at abnormally low levels. The main clinical symptom of the condition is frequent or unusual infections.

GM-CSF is a growth factor that stimulates the production of white blood cells. It is not specific and stimulates the production of all granulocytes and monocytes.

GM-CSF is used to treat neutropenia caused by chemotherapy, the use of cytotoxic drugs for the treatment of cancer, and aims to reduce the incidence of associated sepsis. It can also be used to accelerate myeloid recovery following bone marrow transplantation. Furthermore, it can be used to treat neutropenia induced by ganciclovir indicated for AIDS related cytomegalovirus retinitis.

Schering Plough and Novartis are the two main companies selling recombinant human GM-CSF. A recombinant human granulocyte-colony stimulating factor ("G-CSF") has been developed by both Amgen and Chugai and are available as filgrastim (Neupogen) and lenograstim (Granocyte) respectively. G-CSF is more specific than GM-CSF in its action and stimulates production of neutrophils only.

GeneMedix has acquired the rights to a generic GM-CSF product. A Certificate of New Medicine has been granted by the SDA. Three validation batches have been manufactured and must now be approved by the SDA, which is the final regulatory requirement to be satisfied before the product may be sold in China. It is the Company's intention to market the product in China, through Chinese distributors, as an own-label product. Negotiations have commenced with potential distributors and one memorandum of understanding has been entered into with one distributor in China. If the validation batches are approved, GM-CSF from these batches can be sold commercially. The Directors believe this will allow the Company to launch GM-CSF on the market in China in early 2001. Further markets will be sought once GM-CSF has been launched in China.

Interferon alpha ("IFN-α")

The body's immune system attacks and eliminates not only bacteria and other foreign substances but also cancer cells. A cancer cell is not a foreign cell; rather, it is a normal cell that has mutated and no longer responds to the normal cell signalling mechanisms. The abnormal cells continue to grow, out of control of the body's usual mechanisms, resulting in cancer. Much of the body's protection against cancer is performed directly by cells of the immune system rather than by circulating antibodies.

The immune system is composed of cells and soluble substances with the major cells being the white blood cells and the major soluble substances being antibodies, complement proteins and cytokines. Cytokines are messengers and are secreted by cells of the immune system in response to a stimulus.

IFN-α is a cytokine and has demonstrated its capability as an anti-tumour, as well as an anti-viral, agent. There have been several forms of the protein exploited commercially, including IFN-α-2b, IFN-α-2a and IFN-α-N1.

The various forms of Interferon have successfully gained approval for many indications, including large volume indications such as hepatitis, placing the product among the world's best selling protein drugs.

The different forms of IFN-α are used as anti-tumour and anti-viral agents. However, their precise role remains unclear. They have been approved for use in AIDS related Kaposi's sarcoma, hairy cell leukaemia, non-Hodgkin's lymphoma, chronic myelogenous leukaemia, chronic active hepatitis B, chronic hepatitis C and maintenance of remission in multiple myeloma. The specific form IFN-α-2a is further indicated for recurrent or metastatic renal cell carcinoma and progressive cutaneous T-cell lymphoma.

GeneMedix is developing a generic IFN-α-2b product. The cell line for this product has been created, a stable cell bank established and process development work is being conducted. The IFN-α-2b, produced in China from this cell line, has been tested in a toxicology study and is undergoing a bioequivalence study in Europe. The Directors anticipate the report on the bioequivalence study to be completed in the next two months. The commercial manufacture of IFN-α-2b is scheduled to commence in 2002 with a launch on the market in China later that same year.

PART 2 INFORMATION ON GENEMEDIX

Interferon Gamma ("IFN-γ")

Like IFN-α, IFN-γ is a cytokine and has actions as a biological response modifier.

IFN-γ, for commercial use, has been developed as a naturally derived product and as a recombinant product.

This protein is licensed for use in patients with chronic granulomatous disease ("CGD") to reduce the frequency of serious infection. CGD is an uncommon, primary immunodeficiency disease that is inherited by several different modes. Patients with CGD have a defect in the nicotinamide dinucleotide phosphate oxidase complex, an enzyme that results in recurrent life threatening bacterial and fungal infections.

There are several IFN-γ products available worldwide. However, Boehringer Ingelheim is the main supplier of the protein in Europe. Boehringer Ingelheim's product is a recombinant human interferon gamma-1b (Immukin). Genentech has developed a recombinant product (Actimmune) that is out-licensed to InterMune Pharmaceuticals for sale in the US.

GeneMedix is developing a generic recombinant IFN-γ product. The cell line has been created for this product and development of a production process is the next phase of the work that needs to be completed.

Interleukin 2 ("IL-2")

The term interleukin refers to a class of cytokines that influence a variety of cells. The interleukins have proven difficult to exploit as pharmaceutical products as they are toxic substances. IL-2 has been developed with the most success and is used as a cancer treatment.

IL-2 is licensed for use in patients with non-Hodgkin's lymphoma, acute myelogenous leukaemia, metastatic renal cell carcinoma and malignant metastatic melanoma.

Chiron is currently the main supplier of the protein. It markets its product under two brand names, Aldesleukin and Proleukin.

GeneMedix is developing a generic recombinant IL-2 product. The cell line for this product has been created and development of a production process is the next phase of the work that needs to be completed.

Human insulin

Diabetes mellitus is a disorder in which blood glucose levels are abnormally high due to a lack of insulin or a state of insulin resistance. Insulin, a hormone produced by beta cells in the pancreas, is the primary substance responsible for controlling blood sugar levels throughout the day and in response to eating or drinking.

Type I diabetes, or insulin dependant diabetes, is caused by a lack of production of insulin. This type of diabetes is usually diagnosed in childhood and is treated by multiple daily injections of insulin. It is estimated to account for approximately 10 per cent. of all patients suffering from diabetes.

Type II diabetes, or non-insulin dependant diabetes, is thought to be caused by a gradual development of cell resistance to the actions of insulin. Type II diabetes is associated with obesity and advancing age. Most Type II diabetics will eventually require insulin. However, treatment is initially achieved with dietary changes and oral hypoglycaemic agents.

There are three types of insulin products available, namely, short acting, intermediate and long acting. These products are different insulin formulations designed to enable diabetics to mimic the natural insulin release profile. Recently, the market has seen the introduction of a new insulin product that provides very rapid increases in blood insulin levels. This product contains an insulin analogue, a chemically altered insulin structure, which can be injected immediately prior to eating.

Two companies dominate the worldwide market for insulin, namely Novo Nordisk and Eli Lilly & Co. Both companies have launched an insulin analogue.

GeneMedix has acquired the rights to three insulin products from SIB. The first is related to a pre-cursor gene, used in recombinant insulin production, which has been successfully licensed to TranXenoGen Inc. No initial licence fee is payable to GeneMedix but fees will become payable upon successful approval by appropriate regulatory bodies of products using the licensed technology (further details of the licence agreement are set out in paragraph 11 of Part 7). The second insulin product is an insulin analogue. The Company has filed an international patent application for this product on behalf of SIB and has the rights to out-licence any patent rights granted to a third party for commercialisation. The third product is a generic recombinant human insulin. The cell line for this third product has been created by SIB and development of a production process commenced in September 2000.

Epidermal growth factor ("EGF")

EGF is a protein normally present in the body which promotes cell division in various parts of the body such as skin, cornea and gastrointestinal tract. EGF is thought to play an important part in normal cell growth and development and wound healing.

The cell line to produce EGF has been created and trial quantities of the protein have been produced. This product is not a generic product and has not yet been approved for use in China. The product is currently in clinical trials in China for two topical indications, namely burns, conjunctavitis and corneal damage. The Company will continue the development of the manufacturing process for the product and will seek to gain regulatory approvals initially for the Chinese market. If GeneMedix is the first company to obtain all the necessary regulatory approvals for EGF in China, it will be granted market exclusivity for a period of 7 years for this product in China.

Future Strategy

A five year sales plan has been drawn up based on the introduction of the range of products.The Directors believe that a number of products, in particular GM-CSF, EPO and IFN-α-2b, can be exploited commercially in a number of territories in the next five years. The Directors' objective of introducing a range of products is to seek to ensure that the Company's future prospects are not dependent on a single product or single market.

GeneMedix intends to sell its products initially in China, then the ASEAN territories, India and Eastern Europe. Once the biogenerics regulatory situation in the US and EU has been clarified and the relevant patents have expired, GeneMedix will seek to sell the products in these territories also. In each territory the Company will evaluate and implement what it considers to be the most appropriate distribution and marketing strategy. For China, GeneMedix has signed a Memorandum of Understanding with Ningbo Medical Corporation, a major local pharmaceutical distributor which intends to market the products under the GeneMedix name. Under the Memorandum of Understanding, which is not legally binding, Ningbo will become the distributor of GeneMedix products in Zhejiang province with to be agreed sales targets and Ningbo will not sell similar products from other parties without GeneMedix consent, GeneMedix will be responsible for the supply of product and for providing training for the sales force.

The Directors intend to extend the Company's product range by developing new products discovered for it by SIB pursuant to the SIB Agreement. Where there is the ability to patent new inventions, the Company will seek to do so. The Company will also seek to enter into licensing relationships with existing and new distributors to expand the markets for its products.

Market Environment

The market for recombinant protein products or protein-based medicines has proven to be significant.

There are now protein products that have exceeded the $1 billion annual sales total that is the generally accepted figure for a "blockbuster". The most successful companies in this marketplace include Amgen, Genentech and Novo Nordisk, who all rely on recombinant protein products for a large percentage of their income.

Unlike the discovery of new classes of chemical entity, protein products have been effectively protected by patents to exclude competition. If a patent holder has patented a specific protein in a certain territory, or territories, then no other company can sell that protein in the relevant territory or

territories until the patent has expired. In addition, it is more effective to protect a protein product than an NCE with manufacturing process patents because the manufacturing processes for protein products are more difficult to circumvent. Historically, the regulatory approval of protein products has relied, to a large extent, on the manufacturing process to demonstrate the quality of the final product. This link between manufacturing process and final product has made it difficult for the regulatory authorities to approve generic products.

The Company believes, both through its own direct contacts and industry reports, that the regulatory situation regarding the introduction of generic protein products is changing. Many of the protein-based products are reaching patent expiry and the general attitude of the US and EU regulatory authorities, towards the introduction of generic protein products, appears to be changing and becoming more positive. The guidelines for the approval of generic protein products have not been fully established in the US or the EU but there are draft guidelines currently under discussion.

The Group intends to pursue a strategy of introducing generic products focusing initially on the products listed in the following table.

Protein	Current Indications, EU and US[3]	Total annual worldwide sales, $ millions
EPO	Anaemia associated with chronic renal failure in adults and children; anaemia associated with Retrovir treated patients; chemotherapy induced anaemia in non-myeloid malignancies; anaemia associated with surgical blood loss	3,900[1]
GM-CSF, G-CSF	Autologous bone marrow transplant (BMT); neutropenia induced by chemotherapy; allogenic BMT; peripheral blood progenitor cell transplant	2,100[1]
IFN-α	Hairy cell leukaemia; genital warts; AIDS related Kaposi's sarcoma; HCV infection; HBV infection; malignant melanoma; follicular lymphoma; HBV infection in children	1,500[1]
IFN-γ	Management of chronic granulomatous disease; delay time to disease progression in severe malignant osteopetrosis	66[2]
Insulin, human	Type I and Type II diabetes mellitus	2,500[1]
IL-2	Renal cell carcinoma; metastatic melanoma, non-Hodgkin's lymphoma, acute myelogenous leukaemia	112[2]

Source: 1 Scrip 1999 (1998 total annual worldwide sales), 2 Recombinant Capital (1997 total annual worldwide sales), 3 British National Formulary

Intellectual Property

As with all pharmaceutical products, the person or entity who/which first identifies a therapeutic protein is entitled to instigate a policy of patent protection to protect its products in as many territories for as long as possible. In addition, several protein products have been protected in the US by receiving "orphan drug" status for a particular indication.

The Directors believe that for its proteins of interest (see section on products and projects under development) the relevant patents are approaching expiry in the major territory of the EU. In addition, there are a number of territories where no patents were granted, and in which the Directors believe there are potentially considerable unmet market needs, for the Company's proteins of interest. The patent status is examined further in the Patent Agent's Report set out in Part 5 of this document.

Regulatory Procedures and Approvals

The manufacturing and marketing of the GeneMedix range of products will be subject to regulatory approval in all countries. For a novel drug, the grant of a marketing authorisation requires the evaluation

of data relating to safety, quality and efficacy. In addition, the process and premises of a manufacturer of medicinal products, whether novel or generic, are subject to regulatory approval.

The GeneMedix range of products (other than EGF) is classified as "Biogenerics", that is to say they are generic versions of branded novel therapeutic proteins or biopharmaceuticals. The Directors therefore consider it likely that the approval process for these products in many territories will be less onerous than for a new drug, with the minimum requirements for approval being the ability to prove bioequivalence. However, guidelines on the approval of Biogenerics are still being developed, and it is likely that the regulatory requirements will vary from country to country.

GeneMedix staff intend to work closely with the various regulatory authorities to determine the country by country requirements for product approval. In this regard, the following points are worthy of note:

- GeneMedix has entered into an agreement to acquire a controlling share interest in a manufacturing company in Shanghai, SDB, which has undergone a successful GMP manufacturing audit from the Chinese regulatory authorities.
- A Chinese Certificate of New Medicine for GM-CSF has been granted to SDB.
- EPO and IFN-α are currently undergoing bioequivalence studies.
- GeneMedix is currently in discussions with regulatory authorities in Asia and in Europe regarding their biogenerics policies and approval procedures for generic biopharmaceutical products.

Competition

The market for protein-based medicines has grown significantly over the last ten years, and the total sales for the leading five products, as detailed on page 22, is now approximately $10 billion. However, the number of companies involved in protein product development in comparison to those involved in the development of NCEs remains relatively small. The Directors believe that the reasons behind this are numerous but include the more complex manufacturing processes, a separate regulatory approval system and niche markets. With the exception of a few products, notably insulin, protein products target lower volume, high price markets. The Directors also believe that these factors have contributed towards keeping most of the traditional pharmaceutical companies out of the protein products market.

The net result is that the protein product markets are dominated by a small number of companies. A number of the well established companies are Amgen, Genentech (Hoffman-La-Roche), Novo Nordisk and Eli Lilly & Co. The protein products produced and marketed by these companies are set out below.

Company	Protein	Branded/Generic
Amgen	EPO, G-CSF, non-natural type 1 IFN-α	Epogen, Neupogen, Infergen
Novo Nordisk	Human insulin, insulin analogue, growth hormone	Novolin/Human Actrapid range, NovoRapid, Norditropin
InterMune Pharmaceuticals	IFN-α-1b	Actimmune
Eli Lilly & Co	Insulin, insulin analogue	Humulin range, Lispro
Schering-Plough	IFN-α-2b	Intron-A
Immunex	GM-CSF	Leukine
Chiron	IL-2	ProLeukin
Hoffmann-La-Roche	*IFN-α-2a*	*Roferon-A*

Source: Recombinant Capital

In addition to the main protein manufacturers, there are contract manufacturing organisations ("CMOs") that are capable of producing protein products to GMP standards. The Directors believe that CMOs could provide a way for pharmaceutical companies involved in the development of NCEs to enter the protein markets without investing in manufacturing facilities.

In China, there are many manufacturers of recombinant proteins which produce one or two protein products and supply to local areas. However there are currently a limited number of manufacturers that can produce a range of products. The number of Chinese organisations that can manufacture products to Western GMP standards is currently limited. The Directors believe that one of the Group's competitors is Dragon Pharmaceuticals, which owns a 75 per cent. stake in the Chinese company Nanjing Huaxin Biotech Co Ltd. The Directors believe that Dragon Pharmaceuticals is able to manufacture a range of generic protein products including EPO and IL-2.

Directors and Senior Management

Directors

The Board comprises:

Dr Kim Tan BSc, PhD, FRSM – Non-Executive Chairman. Dr Tan, aged 45, was appointed to the Board in April 1999 and is a founder of the Company. He is also the founder and an executive director of KS Biomedix Holdings Plc, a biotech company which was admitted to the Alternative Investment Market of the London Stock Exchange ("AIM") in 1995 and to the UK Official List in 1998. He is chairman and founder of AsiaPrise Sdn Bhd, a KS Biomedix joint-venture company in Malaysia, which operates a private specialist cancer centre for treatment and clinical research. He is non-executive chairman of TranXenoGen Inc., which has developed transgenic technology to produce human proteins in chickens' eggs, and was admitted to AIM in July 2000. He is the author of over 45 scientific papers, the inventor of sheep monoclonal antibodies and a Fellow of the Royal Society of Medicine.

Mr Paul Edwards MBE BSc – Chief Executive Officer. Mr Edwards, aged 43, was appointed to the Board in December 1999. He was formerly Vice President and General Manager of Genzyme Corporation's UK operation. A graduate in Chemistry from Surrey University, he spent 7 years with Beecham Pharmaceuticals involved in the manufacture of semi-synthetic penicillins, before moving to Genzyme in 1986. Most recently, he has worked in management consultancy at Ruston Poole International. Paul is the former chairman of the Manufacturing Advisory Committee of the UK BioIndustry Association, and has worked with the UK Department of Trade and Industry advising on issues relating to the manufacture of biopharmaceuticals. In 1997, he received an MBE for services to biotechnology and in 1999, the Donald Medal for services to biochemical engineering.

Dr Hong-Hoi Ting BSc, DPhil – Marketing Director (Asia). Dr Ting, aged 44, was appointed to the Board in April 1999 and is a founder of the Company. He has a degree in biochemistry from Bath University and a doctorate in enzymology from the University of Oxford. Between 1982 and 1986, he was a senior university research staff and group leader in microbiology at Dyson Perrins Laboratory in Oxford. From 1986 to 1989, he was a research manager at Mars Confectionery. He then moved back to Hong Kong where he worked for Amersham International plc as a regional manager in charge of its Life Science business in the Far East and South East Asia. He was also the country manager for Amersham International plc in China from 1989 to 1994 where he was responsible for setting up a joint-venture in Shenzen, China for the production of smoke detector alpha foils. Since then, Dr Ting has worked as a consultant in Asia for Amersham International plc, Westinghouse Electric Corporation and Johnson and Johnson. He has also been involved in setting up several joint ventures for Westinghouse and a joint venture for Shanghai Alpha Biotechnology Company Limited with SIB for the production of one-step tests for hepatitis.

Mr Julian Attfield BA, ACA – Chief Financial Officer. Mr Attfield, aged 38, was appointed to the Board in October 2000. He was formerly the Director of Finance and Administration with Sigma-Genosys Ltd., a leading manufacturer of biomolecules for the life sciences industry, and a wholly-owned subsidiary

of Sigma Aldrich Corporation. A graduate in Modern Languages from the University of Exeter, he joined Arthur Andersen & Co. in 1989, where he qualified as an Associate of the Institute of Chartered Accountants in England and Wales in 1993. He then joined Automotive Diagnostics UK Ltd. as Group Financial Controller (1993-1996) before moving to Sigma-Genosys Ltd.

Mr Gordon Mylchreest MCIM – Non-Executive Director. Mr Mylchreest, aged 55, was appointed to the board in January 2000. He was the Group Marketing Director of Consolidated Group from 1984 to 1994 before it was acquired by GE Capital. He was also responsible for developing Consolidated Group's insurance business in Europe. Since then, he has acted as a consultant to a number of insurance companies advising on acquisitions and start-ups. He was also a consultant to and General Manager of CIGNA Direct Marketing and Creditor Insurance Services.

Mr Fong Kwok Jen – Singapore Non-Executive Director. Mr Fong, aged 51, was appointed to the Board in October 2000. He is an advocate and solicitor in Singapore and is a partner in the firm of Fong Partners & Associates. He was Senior State Counsel in Singapore as well as a member of the Council of the Law Society of Singapore. He is a non-executive director of several listed companies in Hong Kong and the US involved in financial services and computer software.

Senior Management

The Company's senior management, all of whom joined the Company in 2000, includes:

Mr Tony Gasson BSc, MSc, MA, MIBiol, FRSC – Technical Director. Aged 62, he held various senior positions at Wellcome Laboratories for 27 years. His other roles have included Head of Quality Management at Public Health Laboratory Service, Centre for Applied Microbiological Research ("CAMR") and Industrial Specialist for Courtaulds Engineering. In recent years he has been involved in the construction and validation of pharmaceutical facilities in international locations, including China, Poland, Egypt, India and the UK.

Mr John Greenwood, FIMLS MBIRA, DipRA – Head of Regulatory Affairs. Aged 56, he joined GeneMedix having previously been the Pre-Clinical Development and Regulatory Affairs Manager with Protherics plc. Prior to this he was Head of Regulatory Affairs at CAMR. He sat as a regional committee member for the British Institute of Regulatory Affairs.

Mr Richard Barker BSc, MSc, MIBiol – Head of Process Development. Aged 47, he was formerly Director of Development with Axis Genetics plc. Prior to this, he held various senior positions with Genzyme Corporation, including being a board member of the UK subsidiary. He is currently a member of the Manufacturing Advisory Committee of the UK BioIndustry Association.

Miss Jackie Turnbull MRPharmS – Head of Business Development. Aged 35, she was formerly a Principal Consultant based in the Technology Consulting Practice of PA Consulting Group, focusing on due diligence assignments. Prior to this she was an International Licensing Manager for Novo Nordisk, based in Denmark, where she focused on alternative delivery systems for proteins and peptides. She is a member of the UK Pharmaceutical Licensing Group.

Including the Directors and senior managers listed above, as at the date of this document, the Company has 10 employees and SDB has 20 employees.

Financial Record

The Company was incorporated in November 1997 and since incorporation has not generated any revenue. Initially, no significant expenses were incurred by the Company but since January 2000 the operations of the Company have been expanded with the number of staff increasing from 2 to 9. In addition, development expenses were incurred to commence process development work on the Group's cell lines. Set out in Part 4(a) is an Accountants' Report on the Company for the period from incorporation until 31 May 2000.

PART 2 INFORMATION ON GENEMEDIX

Set out in Part 4(b) is an Accountants' Report on SDB for the six months ended 31 December 1997 and each of the two years ended 31 December 1999 and for six months ended 30 June 2000. During this period SDB did not generate any revenue from operations but received a subsidy of RMB 650,000 (£54,000) in respect of its work on the development and production of biomedicines. During this period significant expenditure took place on its manufacturing facilities funded by share capital issues and capital contributions totalling RMB 22,500,000 (£1,800,000).

Set out in Part 6 is a pro forma statement of net assets of the Company based upon the audited balance sheet of the Company as at 31 May 2000 adjusted for the acquisition of SDB, the issue of Ordinary Shares in July 2000 and the Placings.

Dividend Policy

The Company has not paid dividends in the past and anticipates that, following the completion of the Placings, earnings, if any, will not be distributed for the foreseeable future to shareholders as cash or other dividends but will be retained for the development of its business. The declaration and payment by the Company of any future dividends, and the amount thereof, will depend upon the success of the Company's operations, financial condition, cash requirements, future prospects, profits available for *distribution and other factors deemed by the Directors to be relevant at the time.*

Reasons for the Placings and Use of Funds

GeneMedix currently has seven products under development. One of these products, GM-CSF, has received a Chinese product licence and is undergoing validation tests, the final requirement to be satisfied before sales of this product are permitted in China. A further two products, EPO and IFN-α-2b, are undergoing bioequivalence studies. Over the next two years, it is intended that the IFN-α-2b and EPO products will be transferred to manufacturing sites to commence commercial scale manufacture. The Company has also entered into an agreement to acquire 75 per cent. of the shares in SDB (see paragraph 3 of Part 7), a Chinese biopharmaceutical manufacturing company, and has plans to develop additional manufacturing capacity at the SDB facility and to establish two additional manufacturing facilities. The total costs expected by the Directors to be incurred over the next two years, including the acquisition of SDB, are approximately £22 million and the Directors believe that these requirements can be met, under current estimates from existing resources and from the proceeds of the Placings. The Placings are being undertaken to enable the Company to have the resources, together with its existing funds, to carry out these developments and to bring the GM-CSF, EPO and IFN-α2b products to a stage where they can generate significant revenues.

The Directors intend that, out of the net proceeds of the Placings of approximately £18.5 million, approximately £3.6 million will be used to part finance the acquisition of the new Chinese manufacturing company, SDB, (the balance coming from existing resources) or, if not required for this purpose, for the working capital requirements of the Company with an additional £0.8 million for upgrading the facilities of SDB to Western GMP standards, and a further £2.5 million to construct further manufacturing capabilities at the facility. In addition to this, the intention is to construct, acquire or refurbish two additional manufacturing facilities in other locations at a total capital cost of approximately £8.8 million. A further £2.8 million is required to cover working capital including marketing expenditure and additional development costs during the next two year period.

Share Options

To date, the Company has granted options to certain employees pursuant to individual option agreements. Further details of these Employee Option Agreements are set out in paragraph 7.1 of Part 7. The Board has resolved to discontinue this practice and all future grants to employees will be made pursuant to employee share option schemes.

GeneMedix has recently established the Share Option Plan as an unapproved employee share option plan and intends in due course to establish an Inland Revenue approved employee share option scheme.

The maximum number of Ordinary Shares over which options will be capable of being granted under the Share Option Plan referred to above (including any other discretionary share option scheme which may be established) is 5 per cent. of the Company's issued share capital. The Company makes provision for employers National Insurance Contributions at the current rate thereof for the difference between the market price and exercise price of all outstanding options, whether or not immediately exercisable. Further details of the Company's Share Option Plan are set out in paragraph 7.2 of Part 7.

Corporate Governance

The Directors intend to comply with the provisions of the principles of good corporate governance and codes of best practice published by the Committee on Corporate Governance chaired by Sir Ronald Hampel and published in June 1998 (the "Combined Code"). The Company also proposes to follow the recommendations on corporate governance for smaller quoted companies published by the Quoted Companies Alliance (formerly CISCO).

The Company will hold at least 8 Board meetings per annum, at which the Group's finance reports will be considered. The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions.

The Board has established an Audit Committee consisting of Dr Kim Tan, Mr Gordon Mylchreest and Mr Fong Kwok Jen. It will meet at least twice each year and will be responsible for ensuring that the financial performance of the Group is properly monitored, controlled and reported on and for meeting the auditors and reviewing reports from the auditors relating to accounts and internal control systems. It will meet once a year with the auditors of the Company without executive Board members present.

The Board has established a Remuneration Committee consisting of Dr Kim Tan, Mr Gordon Mylchreest and Mr Fong Kwok Jen. It will review the performance of executive Directors and set the scale and structure of their remuneration and the other terms of their service agreements with due regard to the interests of shareholders. It will be a rule of the Remuneration Committee that no Director can participate in discussions or decisions concerning his own remuneration. The Remuneration Committee will set the performance criteria for the Share Option Plan and any other share option schemes established by the Company and will also approve the grant of options.

The Board has established a Nomination Committee consisting of Dr Kim Tan, Mr Gordon Mylchreest and Mr Fong Kwok Jen. It will meet when appropriate to make recommendations to the Board on the nomination of new Directors to the Board.

The Board has also considered the guidance note published by the Institute of Chartered Accountants in England and Wales concerning the internal control requirements of the Combined Code and has established an ongoing process for identifying, evaluating and managing the risks faced by the Group.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company's Ordinary Shares are admitted to CREST. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

The Placings and Resulting Share Interests

The UK Placing Shares represent 5.0 per cent. of the enlarged issued ordinary share capital. Of the UK Placing Shares, 14,422,222 are being placed on behalf of the Company and 55,556 on behalf of existing shareholders. The 7,800,000 New Ordinary Shares being placed pursuant to the Singapore

Placing represent 2.7 per cent. of the enlarged issued ordinary share capital. At the Placing Price, the Placings will raise approximately £18.5 million for the Company, net of expenses. The UK Placing is being underwritten by Collins Stewart and the Singapore Placing is being underwritten by OUB.

The Selling Shareholders, the number of Ordinary Shares each is selling (including the number being sold directly by Eastgate Investments Limited, see paragraph 5.4 of Part 7) and their holdings of Ordinary Shares following Admission are as follows:

	Number of Ordinary Shares being sold	Number of Ordinary Shares held after Admission	% of issued share capital following Admission
Eastgate Investments Limited (a company in which Dr Tan is interested)	3,893,889	155,406,111	53.7%
Dr Ting	15,000	18,500,820	6.4%
Mr Mylchreest	12,000	9,427,410	3.3%
SIB	23,556	31,401,434	10.8%

The Directors and substantial Shareholders (those holding over 5 per cent. of the issued share capital of the Company following Admission) have entered into lock-in arrangements whereby they will not be permitted to sell any Ordinary Shares during the period from Admission until the first revenues are generated from sales of the Group's products or eighteen months following Admission, if earlier. Further details of these lock-in agreements are set out in paragraph 11.6.1 of Part 7.

Following Admission, Dr Kim Tan and Eastgate Investments Limited (a company in which Dr Tan is interested) will control 54.0 per cent. of the issued share capital of the Company. Dr Tan is non-executive chairman of the Company and will not participate in the day-to-day operations of the Company. The Company has entered into an agreement with Dr Tan and Eastgate Investments Limited pursuant to which Dr Tan and Eastgate Investments Limited have *inter alia* agreed not to engage in any activity that competes with the business of the Group and to exercise their voting rights to maintain the independence of the Board. Further details of this agreement are set out in paragraph 11.11 of Part 7. The Company has a team of executives the Board consider capable of carrying on the business of the Group independently of Dr Tan and Eastgate Investments Limited. The Board are therefore satisfied that the Company is capable of carrying on its business independently of the controlling shareholder and that all transactions and relationships between the issuer and the controlling shareholder are, and will be, at arm's length and on a normal commercial basis.

Following the Placings, 25.1 per cent. of the issued share capital will be in public hands excluding the Directors, their associates and those persons holding in excess of 5 per cent. of the issued share capital.

Current Trading and Prospects

To date, there have been no product sales. The Company has signed a memorandum of understanding with a Chinese distributor relating to the launch of its products and China and the Directors expect the first product, GM-CSF to be available for sale in China in 2001. The management team of the Company has been grown to provide the necessary in-house capabilities to achieve its objectives. IFN-α-2b and EPO are scheduled for manufacture during 2002. Following the initial launch of a product, which for most products will be in China, the Directors anticipate that regulatory approval will be sought in other territories, initially in India, the ASEAN territories and Eastern Europe, resulting in a year-by-year growth in revenues.

There are programmes in place to develop and launch the remaining four products within the next 5 year period.

PART 3 EXPERT'S REPORT

The following is the full text of a report on GeneMedix by Bridgehead.

International Consultants in Healthcare Technologies, Markets and Products

Old Granary Chambers, 37/39 Burton Street, Melton Mowbray, Leicestershire, LE13 1AE, UK
Company Registered in England and Wales No. 2947704

The Directors
GeneMedix plc
42-46 High Street
Esher
Surrey KT10 9QY
UK

24 November 2000

The Directors
English Trust Company Limited
12a Charterhouse Square
London
EC1M 6NA
UK

The Directors
Overseas Union Bank Limited
1 Raffles Place
OUB Centre
Singapore 048616

Dear Sirs

Bridgehead Technologies Limited ("Bridgehead") is a privately owned company established in 1995. It is a leading consultancy specialising in the assessment of healthcare companies, projects, products and markets and assisting in their development. Over the past 5 years Bridgehead has prepared private placing and public documents for development stage biotechnology, pharmaceutical and life sciences companies. In addition many due diligence assignments have been successfully completed on behalf of international investors.

Bridgehead employs specialists with knowledge of science, technology, product development, markets and business issues in medicine and life sciences.

Bridgehead has been instructed by GeneMedix plc ("GeneMedix") to assess and review certain aspects of its business, namely:

- The potential strengths and weaknesses of the GeneMedix projects
- The likely competitive position
- Any projections of the market potential of the products under development by GeneMedix
- GeneMedix business plan, including timelines and critical path and costs to reach key milestones forecast by GeneMedix
- The risk factors that might affect GeneMedix's business plan.

PART 3 EXPERT'S REPORT

In preparing this report Bridgehead's consultants have conducted interviews with some of the key GeneMedix staff and officers – Chief Executive Officer, Head of Business Development and Head of Process Development; made an extensive review of the documentation provided by GeneMedix such as project plans, flow charts, process engineering cost estimates and assessed its activities with reference to the proprietary knowledge base possessed by Bridgehead. In addition, the documentation supplied by GeneMedix has been supplemented by Bridgehead's own interviews with external independent experts, including regulatory bodies.

This report has been prepared with care and due diligence, based upon information provided to Bridgehead at the time of preparation. Bridgehead has no reason to doubt the veracity of such information but Bridgehead has only verified it to the extent indicated above. Changes in circumstances may render such information invalid at any point hereafter.

The scope of this report does not address the legal aspects of the GeneMedix's operations or its intellectual property. This report has been prepared for inclusion in the Listing Particulars dated 24 November 2000 of GeneMedix plc.

1. Background to GeneMedix

GeneMedix is a biopharmaceutical company developing and manufacturing generic therapeutic proteins using recombinant DNA technology. The Company's business plan identifies its aim to become a low cost producer for these generic proteins using cell lines developed by the Shanghai Institute of Biochemistry. The Company will focus on high value biopharmaceuticals for which generic versions can be produced at low cost, since the generic producer does not have to bear the cost of development and of proving the efficacy of the product. GeneMedix's initial target products are either unpatented in certain geographic areas with high market potential or are coming off patent in the next 5 to 10 years.

The initial products, Granulocyte Macrophage Colony Stimulating Factor ("GM-CSF"), Interferon-α-2b and Erythropoietin ("EPO") will be targeted first at the Chinese and then at the Association of South East Asian Nations ("ASEAN") and Indian markets. GeneMedix aims to match or exceed all local manufacturing and registration requirements in each of these target markets. To achieve required production levels for sales in these geographic areas, GeneMedix is establishing manufacturing facilities in China and other countries as appropriate to evolving market requirements. In the longer term, GeneMedix plans to approach the European and American markets, through partnerships with an established generics player, as well as intending to gain access to other significant unsatisfied markets.

Bridgehead considers that a GeneMedix key differentiator is its access to high yielding cell lines. This will enable GeneMedix to potentially produce quantities of protein that exceed initial forecast sales. The efficiency of the processes allows for low cost production with cost of goods representing a small percentage of the final selling price.

1.1 Organisation, management, key staff

Bridgehead considers that GeneMedix has assembled a good management team with considerable experience of forming and managing joint venture projects in Asia. The team is also very familiar with the quality, regulatory and legal issues that have to be addressed within the biopharmaceutical sector. Within the management team there lies:

- Significant experience of building biotechnology companies
- Experience of operation of companies within Asia
- Understanding of marketing in China, the Far East and South East Asia
- Ability to establish alliances and conclude deals
- Biopharmaceutical manufacturing and production expertise
- Microbiology, molecular biology, cellular biochemistry and fermentation expertise
- Understanding of quality requirements and regulatory affairs.

Initially, manufacturing in China will be undertaken by SDB, which will be under the direct control of GeneMedix either by being a 75 per cent. owned joint venture company or via manufacturing and intellectual property agreements. Bridgehead understands that it is the Company's intention that any sales force in China may report into SDB.

Bridgehead is aware that GeneMedix currently does not employ local sales personnel in China. It is noted that GeneMedix recognises this as a potential key milestone and is currently considering several options concerning the need for, and the structure of, a sales force. Discussions are underway in China with potential partners for distributing and promoting the GeneMedix products. This level of activity is what Bridgehead would expect at this stage of the Company's development and two appointments have been made.

1.2 *Research, development and licensing agreements*

GeneMedix has obtained, from the Shanghai Institute of Biochemistry, several cell lines for producing proteins at high yield. The Shanghai Institute of Biochemistry is a well respected scientific institute both inside and outside China. It is a member of the UNESCO global network for molecular and cell biology. The Institute has published over 3,000 research papers in peer-reviewed journals. Bridgehead understands that GeneMedix has exclusive rights to commercial applications of the cell lines outside China, plus non-exclusive rights in China. At present GeneMedix has obtained such rights to, cell lines to produce GM-CSF, EPO, Interferon-α-2b, Interferonα, Insulin, Interleukin-2 and Epidermal Growth Factor.

Bridgehead considers that there is considerable merit in the association with the Shanghai Institute of Biochemistry with its reputation both inside and outside China. Additionally, the Shanghai Institute of Biochemistry is a shareholder in GeneMedix and therefore Bridgehead considers it unlikely that it would license the cell lines, in China, in a transaction that would be detrimental to GeneMedix.

Pilot scale production runs of the two key evaluated cell lines, EPO and Interferon-α-2b are currently sub contracted out in the UK to reputable companies, whose opinion on the manufacture and performance of the proteins can be trusted. Bridgehead considers this work to be prudent giving GeneMedix confidence that the cell lines, and processes from China, will deliver the protein to the required volume and quality. The work reviewed to date confirms that the cell lines for EPO, Interferon-α-2b and GM-CSF are capable of producing the proteins as predicted.

1.3 *Manufacturing status and plans*

GeneMedix has entered into an agreement to acquire a majority shareholding in the Chinese manufacturing company, SDB, from ShenglongDa Biotechnology Company Limited, whose facility is located in the Pudong District of Shanghai and has been constructed to produce therapeutic proteins. GeneMedix has also entered into manufacturing and intellectual property agreements which permit GeneMedix to have its products manufactured by SDB. This plant, which already has a Chinese Good Manufacturing Practice ("GMP") licence, and a current Product Licence for GM-CSF, will be used to manufacture the first GeneMedix product (GM-CSF), using a process based on the cell line from the Shanghai Institute of Biochemistry. Bridgehead understands that it is the Company's plan to have GM-CSF, produced to Chinese GMP standards, on the market in China during early 2001. Bridgehead considers that this is an achievable target considering that the majority of the regulatory milestones are in place. In addition, an independent report commissioned by GeneMedix from a reputable Western process engineering company confirms that the manufacturing facility can deliver to Chinese GMP requirements. Having regulatory and manufacturing milestones in place should allow GeneMedix to comply with its timescales and commercial development for its three lead products.

There is also potential to manufacture GeneMedix's second product, Interferon-α-2b, at this site using a new production line. Bridgehead understands that GeneMedix intends to produce Interferon-α-2b at this site. The planned launch for this product on the Chinese market is the beginning of 2002. Bridgehead agrees with GeneMedix that this is an ambitious although achievable target.

Bridgehead considers that the production processes for GeneMedix's initial three generic proteins, GM-CSF, Interferon-α-2b and EPO are robust and well understood and does not envisage that they will pose any significant manufacturing risks since they are based on use of well known organisms, fermentation systems and processes. In addition the production processes are based on cell lines derived from a reputable source namely the Shanghai Institute of Biochemistry.

The GeneMedix process-plant developments, and the planned capacity of these plants, exceed projected product sales to at least 2006, and all three processes are amenable to routine empirical scale-up. The high-yielding nature of the cell-lines used by GeneMedix also allows operations to be carried out in small-scale equipment, reducing initial capital investment, and the cost of further expansion plans. By permitting modular expansion, such small-scale processes offer the potential to minimise regulatory issues surrounding manufacture, by the use of process consumables from external suppliers. It is the responsibility of such suppliers to guarantee the quality and suitability of such products, reducing the input required by GeneMedix in validating and documenting production processes.

GeneMedix is also considering the potential for setting up manufacturing facilities outside China specifically for EPO, allowing the Company to further exploit markets beyond China and to maximise fiscal incentives for manufacture where appropriate. Bridgehead considers this to be an appropriate manufacturing strategy for a company of this size and stage of development.

1.4 *Regulatory status and plans*

GeneMedix's business plan identifies the company's intention to match or exceed all local manufacturing and regulatory requirements in its initial target markets of China, India, ASEAN territories and Eastern Europe. In the longer term, the Company is targeting countries in Europe and the US. It is believed that for all territories, the minimum requirement for each regulatory product approval will be a bioequivalence study comparing the activity of the original and the GeneMedix generic product. It is highly likely that there will be additional requirements in Europe and the US. Bridgehead understands that the Company is in discussions with various regulatory authorities and is aware of the current regulations in the relevant territories. Bridgehead considers that the Company is taking the appropriate action for the current stage of development.

1.4.1 *China*

In China, The State Drug Administration ("SDA") is responsible for regulation and approval of pharmaceutical agents. Regulation in China can be complicated and involves a large number of government authorities at the national, provincial and local levels. Key requirements for drug licensing in China are a GMP licence for the manufacturing plant, a current Certificate of New Medicine and product validation. The typical timeline for the approval of a new theraputic product is 18–26 months from submission. Since GeneMedix will be seeking approval for generic products rather than for new theraputic products, the timelines would be expected to be shorter than this. Personal recommendation by a Chinese member of the company is essential for smooth transition from application to approval and Bridgehead considers that GeneMedix, as a result of having Dr Ting on the Board, its relationship with SIB and its manufacturing facility in Shanghai, is well positioned to negotiate with the Chinese authorities.

Bridgehead understands that the plant, in respect of which GeneMedix has entered into an agreement to acquire a majority shareholding and where it has manufacturing rights, has a Chinese GMP licence. Furthermore it has a current Certificate of New Medicine granted for GM-CSF. The results of tests on the three validation batches of GM-CSF produced under GeneMedix supervision are awaited, and must be positive to permit sale in China.

Having gained SDA approval for GM-CSF, Bridgehead considers that GeneMedix is well positioned to gain further product licences and launch the products it is developing.

1.4.2 Other territories

A Chinese licence for the manufacture of GM-CSF, or other proteins, to Chinese GMP standards may be acceptable in several East European countries, South American countries, India and ASEAN territories. Bridgehead considers that it will be necessary to obtain further detail on local regulatory conditions before GeneMedix can finalise its launch plans. Bridgehead is aware that GeneMedix intends to upgrade and operate the manufacturing facility in China to Western GMP standards. Bridgehead considers that this will allow GeneMedix to access a greater range of markets, subject to the freedom to sell in those markets.

GeneMedix has commissioned a report, from a reputable Western process-engineering contractor, assessing the production facilities and estimating the investment required to bring the site up to Western GMP standards. Based on the reputation and current and past projects of this contractor, Bridgehead concurs that the key milestone of achieving compliance to Western GMP standards by early 2002 should be possible. The work will be carried out in two phases and Bridgehead understands that remedial and upgrade work by the contractor, who prepared the original report, will begin this year (2000). Bridgehead considers that this will ensure that export to other countries becomes a viable option for GeneMedix.

1.5 Marketing and sales

1.5.1 Plans for marketing and sales of packaged products

GeneMedix's business plan identifies that the Company's initial target market is China, followed by ASEAN territories, India, Eastern Europe and South America where preliminary contacts indicate that the products will be acceptable and that potentially there are large markets with unmet needs.

In China, GeneMedix plans to brand and sell its products under the name of the joint venture "Shanghai GeneMedix Biotechnology Company". GeneMedix has agreed upon the most appropriate sales approach for the Chinese market. The Company has reached a key milestone by signing a memoranda of understanding with a Chinese distributor, Ningbo Medical Corporation, who will be marketing the products in the major urban area of China, Shanghai. The Company intends over the next twelve months to sign similar agreements with a further 4–6 distributors to achieve effective coverage of the whole Chinese territory. Bridgehead considers that GeneMedix is doing all that would be expected at this point to ensure a successful outcome. The Company has people in position who know the culture, speak the language and are well placed to identify future employees as the specific requirements for the Company's development in China becomes more clear.

India is viewed by the Company as a further large market with unmet needs, and GeneMedix has decided to sell its products via collaboration with an Indian partner. Several potential partners have been identified and a programme of meetings is scheduled.

Markets in the ASEAN territories may be approached via distributors and the Company has already identified one distributor with a major operation in the relevant areas, selling into pharmacies, hospitals and wholesale. The preliminary indications are that the contact would be willing to distribute and promote GeneMedix's products.

GeneMedix is looking longer term to market its products more widely, including Europe and the US, although there are regulatory issues surrounding generic protein products to be resolved in these markets. This would require negotiating a deal with a partner(s) for these territories and early success would be reliant on regulatory approval being in place as soon as possible after the products come off patent.

Bridgehead considers that, in the EU, the regulatory process for generic biopharmaceuticals will be discussed on a case by case basis and that GeneMedix may require multiple partners to maximise sales in the territory. Bridgehead understands that GeneMedix has initiated preliminary discussions with major companies in the generics field.

1.5.2 Plans for bulk supply

As part of its strategic development, GeneMedix is considering bulk supply of protein in addition to finished product. Several companies which have a requirement for bulk protein manufactured to Western GMP standards have approached GeneMedix. Whilst this is not a current priority, and should not deflect from the Company's focus on getting its lead products to market, GeneMedix intends to consider these opportunities on a case by case basis. In addition, GeneMedix has had preliminary discussions with several drug delivery companies regarding a potential supply of bulk proteins.

2. Commercial potential

2.1 Generic biopharmaceuticals

The next few years will see the expiry of many patents on first generation biotechnology derived products such as EPO, Interferon-α, Granulocyte-Colony Stimulating Factor ("G-CSF"), GM-CSF, some of the Interleukins, human Growth Hormone ("hGH") and Insulin. Biopharmaceutical patents will expire first in Europe from 2000 to 2004 closely followed by the US.

EPO, Interferon-α, G-CSF, hGH and human Insulin already account for worldwide annual sales of $1 billion each. GM-CSF and some of the Interleukins each generate global revenues of several hundred million dollars.

2.2 Target geographical markets

GeneMedix's initial target market is China, with plans being developed to launch in India and the ASEAN territory within one to two years. Eastern Europe is also considered a potentially important market by GeneMedix. Dependent on the development of the regulatory situations in the West, the Company plans to sell its generic biopharmaceuticals through a partner in the EU and possibly in the US.

2.2.1 The Chinese market

The value of pharmaceutical production in China in 1996 was estimated to be more than $12.5 billion with sales estimates ranging from $5.6 billion to $7 billion in 1998. More than 75 per cent. of the domestic drug output in China is from generic drugs. China is estimated to have more than 1,800 pharmaceutical joint ventures with foreign investors. The majority of the market is currently conventional small molecules, however it is believed that China has approved eight biotechnology drugs including Interferon-α, GM-CSF, EPO, Interleukin 2 and Insulin.

China's 1.2 billion population represents a huge market for virtually all types of pharmaceutical/ biotechnology related products. The number of consumers is currently estimated to be the 200-300 million people located in urban areas who enjoy free medical care, or who can afford to pay for high quality healthcare products. This current market represents a population equivalent to that of the US and is expected to continue to grow significantly.

Recently, competition in the Chinese pharmaceutical market has increased rapidly with "new-to-the-market" entry being more costly and difficult. The Chinese government has brought in a series of reforms to bring down the costs of pharmaceutical products and to promote domestic production of drugs. These measures include the establishment of drug formularies or reimbursement lists, price caps and strict marketing and advertising laws. Overall state control of drug prices is the responsibility of the State Development Planning Commission ("SDPC") whose planning policy is based on the control of profit levels and sales discounts within the industry. These reforms are partly influenced by the fact that currently most of China's health budget is spent on drugs. This is in contrast to Western nations where drugs account for less than ten percent of the total health budget.

Bridgehead considers that GeneMedix is well positioned to gain a share of the Chinese market as defined in the business plan since:

- The Company's management team has considerable understanding of the Chinese market and therefore realises the conditions that need to be in place for successful market entry.

- The Chinese government will look favourably on products developed in a domestic factory using Chinese technology and a Chinese workforce.
- The Chinese SDA may have a more favourable view of products produced by GeneMedix due to its relationship with the SIB.
- It should be possible to launch the joint venture's first product, GM-CSF, on to the market in China in early 2001, given its current reguatory status.
- The manufacturing facility, once brought up to Western GMP standards, would be one of a very small minority of such plants in China.
- It should be possible for GeneMedix to price its products competitively even if prices for protein products are reduced from their current levels.
- GeneMedix is introducing protein products that are currently sold in China and for which the markets are likely to grow.

2.2.2 The Indian market

India represents a potentially huge market with 15 per cent. of the world's population who are gradually becoming more affluent and able to afford Western style pharmaceuticals. Generic products are a key strength of India's pharmaceutical market and are therefore widely accepted; the lack of patent protection has been a disincentive for investment in R&D and for introduction of new drugs by the multinationals. The pharmaceutical market has seen a significant growth in the last 10 years, now accounting for 1 per cent. of global turnover. It is expected by 2003 that the Indian pharmaceutical market will be worth $7-9 billion. No one company dominates the market, with none of the 20,000 pharmaceutical companies having gained more than an 8 per cent. share.

Process patents are honoured in India so companies have become expert in finding alternative processes to circumvent such patents and it is reported that most patented drugs launched in India can be copied within six months. Generic pharmaceuticals are, therefore, widely accepted in India. Patent protection to cover products is going to be introduced in India in 2005 but this will not affect products that are already off patent.

There are several constraints on the market, such as the price ceiling on bulk and formulated drugs, the use of traditional Indian medicine and limited health insurance coverage.

The Indian government has already granted marketing licences for about 25 recombinant protein therapeutics including Interferons, GM-CSF and EPO. There are relatively few companies actually producing biological products although Bridgehead understands that there are some plants for production of biopharmaceuticals under construction. Bridgehead considers that India could develop as a producer of biopharmaceuticals in future.

GeneMedix has considered the best approach for introducing its products into India and has decided that collaboration with an Indian partner is the best approach. A programme of meetings is scheduled with several relevant distributors.

2.2.3 The ASEAN market

The ASEAN territories are made up of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand and Vietnam. They have a population between them of some 521 million people. However, it appears that few people in these countries currently have access to medical care and often live in rural areas. The market could be expected to develop in a similar way to that in China and India as a result of increasing urbanisation and the associated affluence resulting in the increase of diseases such as diabetes.

GeneMedix has estimated that it could initially gain the same product sales for the ASEAN territories and India as it has estimated for China. Bridgehead would see this estimate as realistic based on the population figures above and the current understanding of the markets. Bridgehead considers that to be successful in these countries GeneMedix would need a strong alliance with a distributor with good

local knowledge of the markets and regulations and understands that GeneMedix has already approached reputable distributors of this type.

2.2.4 Europe and US

Currently, it is unclear what the regulations governing generic biopharmaceuticals will be, or if, in fact, a generic biopharmaceutical market will be allowed in Europe and North America. However, the environment for the approval and use of generic products generally does appear to be becoming more favourable, with most countries aiming to reduce spending on pharmaceuticals by encouraging the use of generic drugs whenever possible.

Biopharmaceuticals are currently finally defined by their manufacturing process, with data from process validation and batch consistency being at least as important as product characterisation and data from release testing. The European Medicines Evaluation Agency ("EMEA") has prepared a draft Committee for Proprietary Medicinal Products ("CPMP") guideline on the comparability of biotechnology derived products. This covers the implications of process changes with a given product, and the comparison of two biotechnology products, specifically recombinant proteins, from different manufacturers.

In North America, both the US Food and Drugs Administration ("FDA") and Health Board of Canada are understood to be developing guidelines in this area. For generic drugs, other than biopharmaceuticals, the FDA can approve an Abbreviated New Drug Application (ANDA) based on bioequivalency. There is some disagreement within the industry as to the appropriateness of bioequivalence for biopharmaceuticals.

If the North American and EU generic biopharmaceutical markets do open up, GeneMedix would expect to be partnered with a generic company that is large enough to become a major player in the resultant market. Bridgehead considers that dealing with the EMEA, and FDA, and taking drugs through the approval route would be a key requirement of any potential partner. Bridgehead understands that GeneMedix has had preliminary talks with companies of this stature. It is acknowledged that for most of the products, the patent expiry dates are considerably later in the US than the EU.

2.3. Target products

GeneMedix has products at various stages of the development process outlined in Part 2, Information on GeneMedix. The company is establishing manufacturing operations, gaining regulatory approvals and establishing sales and distribution networks for its three lead products, GM-CSF, Interferon-α and EPO. The company also has rights to high yielding cell lines from the Shanghai Institute of Biochemistry for Insulin, Epidermal Growth Factors (EGF), Interferon-γ and Interleukin 2.

2.3.1 GM-CSF

GM-CSF is a small, naturally occurring hormone that is classified as a haematopoietic stimulant and antineutropenic. It is a specialist, hospital product used to reduce the severity of neutropenia (and risk of infection) in cytotoxic chemotherapy; acceleration of myeloid recovery following bone marrow transplantation and neutropenia in patients treated with ganciclovir in AIDS related cytomagalovirus retinitis.

It is understood from available market data that there are two main local suppliers of GM-CSF in China, along with several smaller companies, who between them take the majority of the current Chinese market worth $20.5 million.

The GeneMedix business plan indicates that GM-CSF should be launched on to the market in China in early 2001. Bridgehead considers that this is a realistic timescale to commercial development since Bridgehead understands that:

- The manufacturing operations are established in China.
- The majority of the requirements for regulatory approval are in place, with the last key milestone, for launch in China, the three validation batches having been completed on schedule. GeneMedix is expecting the results from testing of these batches by the end of 2000.

Bridgehead also considers that GeneMedix sales projections for GM-CSF in China are realistic since

- the predicted market share is small, and
- the product is anticipated to be of high quality.

In addition, the sales and marketing approach has been decided and a memorandum of understanding signed with a distributor in China.

2.3.2 Interferon-α

Interferon-α is a naturally occurring cytokine produced by the human body in response to virus infection and other challenges. Pharmaceutical preparations are manufactured from human buffy coat cells (from blood transfusion products) or recombinant microbial systems. While natural Type 1 human Interferon-α consists of a mixture of some 15 closely related sub types, recombinant products such as Interferon-α-2b are single proteins.

Different formulations of Interferon-α are currently used for a number of indications: cancer, most notably chronic myelogenous leukemia (maintenance therapy), Kaposi's sarcoma, hairy cell leukemia (induction and maintenance), malignant melanoma, non-Hodgkin's lymphoma, colorectal lymphoma, human viral infections such as hepatitis B and C, and papilloma virus (genital warts).

Interferon-α is the drug of choice for the front-line treatment of hepatitis C and hepatitis B. While hepatitis B is in decline in the Western world due to the widespread use of effective vaccines, both hepatitis B and C remain a major health problem throughout the world.

The global market for injectable Interferon-α exceeds $1 billion each year with growth at more than 13 per cent. per year. In 1998 the market for all Interferons in China was worth $55.5 million. It is understood from available market data that the Chinese market for Interferon-α is currently worth about $25 million. Two local major players currently take a large percentage of the market.

Interferon-α is approved for a wide range of indications including use in patients with hepatitis B and C, making the market attractive in the short and potentially the longer term. With this wider usage and larger number of producers the market is more competitive than that for the more specialist GM-CSF. Bridgehead believes, in addition to existing local competition, there will be competition from new treatments, for certain indications. For treatment of hepatitis B, Amarillo Biosciences Inc. has signed a deal for development, manufacturing and marketing of a low dose Interferon lozenge and Thymosin α 1 (ZADAXIN® SciClone Pharmaceuticals) has been awarded market approval in China.

Bridgehead understands that the market in the Western world may be slowly moving to the use of a longer acting formulation, known as PEGylated formulation of Interferon-α-2b, and considers that this development could have a significant effect on GeneMedix's planned sales in the West. Additionally, the market for Interferon-α could be eroded by increasing success of vaccination programmes and the development of more effective vaccines.

GeneMedix's business plan indicates that it expects to launch Interferon-α-2b on to the Chinese market late in 2002. Bridgehead considers that this is an aggressive timescale to commercial development. However GeneMedix's experience with GM-CSF production in China should mean that the Company can progress along its critical path relatively quickly.

Key milestones for Interferon-α-2b are:

- Establishment of manufacturing to Western GMP standards at the Shanghai manufacturing facility, which GeneMedix expects to be in place by 2002;
- Gaining regulatory approval for launch of the product on the Chinese market is dependent on gaining a GMP licence; a product licence and approval of three validation batches. Applications for the relevant licences are scheduled in GeneMedix's programme to ensure that relevant documentation is in place by late 2002.

- A bioequivalence study has already been carried out in China. In addition, GeneMedix has commissioned and has underway a bioequivalence study in Poland.

The type and scale of plant to be installed at the existing manufacturing site in Shanghai, and the existing relationship with the SDA are all factors in the Company's favour.

2.3.3 Erythropoietin

EPO (an acidic glycoprotein hormone) was first cloned in 1985. It was the first haematopoietic growth factor discovered. It is produced by the liver during gestation and by the kidney after birth. EPO initiates erythrocyte production. EPO is used for the anaemia associated with EPO deficiency in chronic renal failure, to increase yield of autologous blood in normal individuals and to shorten the period of anaemia in patients receiving platinum containing chemotherapy. The clinical efficacy of the alpha and beta versions of EPO is similar.

The world market for EPO is approximately $4.8 billion per year, with 69 per cent. of this being spent in North America and the European Union. The high costs associated with EPO therapy and the late diagnosis of renal disease serve as limiting factors in its use in developing countries.

Although sales of EPO have grown in China current sales prices put it out of reach of numerous potential patients who may benefit from it. In addition, in China, anaemia resulting from renal disease is often treated using inexpensive local remedies.

It is estimated that there are nearly 1 million chronic renal failure patients in China, with approximately 100,000 patients on dialysis. The number of patients is expected to rise in correlation with the rising incidence of diabetes as a high proportion of these patients develop renal failure. Approximately 10 per cent. of dialysis patients received therapy with EPO when it was available only as an imported pharmaceutical product. This percentage is expected to rise as local providers supply the market at lower prices.

It is understood from available market data that the current annual market for EPO in China is worth $52.5 million with three major players taking a significant share of the market.

GeneMedix is in discussions regarding a manufacturing facility, currently equipped with clean room areas that can readily be adapted for the production of EPO. If this acquisition proceeds Bridgehead Technologies considers that GeneMedix will be well positioned to have product ready to market by 2002 especially since the Company has already completed the first stages of its manufacturing process validation. The facility in question is located outside China allowing GeneMedix the option to import part or fully finished product into other territories as projected in the business plan.

The planned launch in China in 2004 may be a challenging timescale in terms of achieving the key milestones of manufacturing to Western GMP, gaining regulatory approval and completion of bioequivalence studies. The target launch date of 2005 for Europe is subject to greater risk since, in addition to bioequivalence studies, there may also be requirements for Phase III clinical trials. In addition, approval times are expected to be longer.

In terms of development of the Chinese market, there is some competition from local producers and other joint ventures. One of the major competitors is Dragon Pharmaceuticals, a Canadian biotechnology company, which has established a joint venture in China. Dragon has access to high yielding cell lines and a factory built to produce generic proteins. Dragon recently completed the acquisition of 75 per cent. equity interests in Nanjing Huaxin Pharmaceutical Ltd., providing the company with both the product licence and production permit for the manufacture and marketing of EPO in China.

If EPO is manufactured outside China, as is currently under consideration, import duties may be applied. However, GeneMedix has the advantage of owning a filling and finishing facility at the Chinese plant, which may allow for import of bulk product with final packaging to be performed in China,

thereby minimising import duties. Bridgehead agrees with GeneMedix that such import duties are unlikely to make the Company's product uncompetitive since the cost of manufacture is low.

2.3.4 Other Products

After its lead products, the furthest advanced of the pipeline products is Insulin, for which there is a programme in place to commence evaluation of the cell line. The cell lines for Interleukin 2 and Interferon-γ are awaiting evaluation.

The SIB agreement gives GeneMedix access to a further protein EGF, which is currently not approved in China and therefore, potentially allows GeneMedix the opportunity of introducing a new therapeutic product into this territory. This product has already been produced at the Shanghai manufacturing facility. EGF is a protein, normally present in the body, where it promotes cell division to help form normal tissues including the skin, cornea and in the lung and gastrointestinal tract. EGF is thought to plan an important role in wound healing. It has also been implicated in the development of cancer within the tissues mentioned above Bridgehead understands that a topical formulation of EGF has been shown to promote healing of both superficial and deep dermal burns and to facilitate acceptance of skin grafts.

SDB currently has EGF in two separate Phase I clinical trials, in China, as a topical agent for the treatment of burns and for treatment of conjunctivitis/corneal damage. SDB has also applied to carry out Phase I trials for an oral formulation to treat peptic ulcers.

3. Risk factors

Bridgehead considers that GeneMedix will face certain risks in the realisation of its business plan. These are outlined below:

Market risks

- There will be competition in Europe and the US from major players in the generics market, particularly those that have teamed up with biopharmaceutical manufacturers.
- The Chinese, Indian and ASEAN markets may not be as readily accessible as GeneMedix has anticipated, delaying product launches.
- GeneMedix may find it more difficult then anticipated to recruit appropriately qualified personnel in China.
- GeneMedix will face competition both from generic producers in China, India and ASEAN countries and from imports.
- There may be erosion of generic prices due to the introduction of alternative therapies for a given disease. This may not be so relevant in China, since new therapies might be premium priced. It is more likely to be relevant for markets in the West which GeneMedix wishes to approach.
- The sales price of any given protein may become uncompetitive if it is manufactured outside China and is subject to import duties, and this may apply to EPO in particular.
- The generic biopharmaceuticals market may take longer to develop in the US and Europe due to an adverse regulatory climate. Therefore, GeneMedix will remain reliant on sales from countries outside the EU and the US. Both in the US and Europe, there is considerable discussion in the area already and the EMEA (The European Medicines Evaluation Agency) has produced draft guidelines on comparability.

Regulatory risks

- Bioequivalence studies alone may not be the minimum requirement for approval of a generic biopharmaceutical. If not, then time consuming, potentially expensive, comparative clinical trials may be required.

- The Indian and ASEAN markets may not accept, without further data, a product approved for sale and manufactured in China. GeneMedix believes it is more likely that its products will be accepted if they are produced to Western GMP standards. GeneMedix acknowledges that small scale clinical trials may be required.
- The manufacturing facility may not be given Western GMP approval, although there are established plans from a reputable Western company that minimise this risk.
- GeneMedix is awaiting receipt of new guidelines for new pharmaceuticals from the SDA regarding which cover the registration of protein products in China. As China is currently undergoing a great period of change, the regulations are susceptible to alteration, which GeneMedix will need to be aware of at all times.

Commercial risks

- Many of the key skills and experience in the Chinese marketplace currently rest with one key individual. This situation should change as GeneMedix expands its commercial base in China.
- GeneMedix may not have the opportunity to partner with the ideal partner for each territory, as it is not the only company intending to supply generic biopharmaceuticals.
- GeneMedix has been granted non-exclusive rights in China to the Shanghai Institute of Biochemistry's cell lines. However since SIB is a shareholder in GeneMedix, this reduces the risk that they would license the cell lines in China in any deal that would be detrimental to GeneMedix.
- The plant upgrade project could be delayed and/or delays in the registration process in China are possible.

4. Summary and conclusions

There will always be risks involved in the production and sales of biopharmaceuticals, more specifically generic biopharmaceuticals. However, Bridgehead considers that GeneMedix's approach seeks to actively manage these known risks and, in addition, has several significant merits.

Chief amongst these merits is the business model established to develop high yielding cell lines, from the Shanghai Institute of Biotechnology, and commercialise therapeutic proteins that have a substantial profit margin. The Shanghai Institute of Biochemistry has an excellent reputation both in China and internationally and the Companys' relationship with SIB gives the potential for access to further products and intellectual property from the Institute. In addition, there is significant expertise within the management team of starting up biotech companies and in the production and quality control of biopharmaceuticals. Currently many of the key skills and experience in the Chinese marketplace rest with one key individual. However, this situation should change as GeneMedix expands its commercial base in China.

Bridgehead considers that the majority owned joint venture for manufacturing will give significant competitive advantage for sales and for filling and finishing of products in China. This facility may also be used for the filling and finishing of bulk protein manufactured outside China. GeneMedix has engaged a reputable Western company to assess and carry out the work needed to upgrade the facility to Western GMP standards. This should readily give the Company access to a greater range of markets, where product manufactured to Western GMP standards would be more acceptable. GeneMedix is aware that the Chinese regulatory environment is subject to considerable change, and intends to monitor developments closely to manage the impact of such changes on its developing business.

The products, for which GeneMedix aims to manufacture generic versions, are coming off patent over the next four years, giving the Company the potential to expand into a larger number of markets. There will also be opportunities to develop and manufacture further biopharmaceuticals as these come off patent in the near future. There will be competition in Europe and US from major players in the generics

market, particularly those that have teamed up with biopharmaceutical manufacturers. However, GeneMedix intends to enter into an agreement with one or more major generic pharmaceutical companies allowing it to take advantage of the generic biopharmaceutical market, if and when it develops.

GeneMedix will be addressing attractive markets in terms of value, price potential and competition. In terms of marketing products manufactured by the Company, Bridgehead considers GeneMedix is positioning itself to ensure that it can access its chosen markets, handle local competition and recruit the required local appropriately qualified personnel.

Yours faithfully

F David Alcraft
Director
For and on behalf of
Bridgehead Technologies Limited

Fiona J Paton
Director
For and on behalf of
Bridgehead Technologies Limited

PART 4(a) ACCOUNTANTS' REPORT ON GENEMEDIX

ARTHUR ANDERSEN

Arthur Andersen

Abbots House
Abbey Street
Reading
RG1 3BD

The Directors
GeneMedix plc
42-46 High Street
Esher
Surrey KT10 9QY

24 November 2000

The Directors
English Trust Company Limited
12a Charterhouse Square
London
EC1M 6AX

The Directors
Overseas Union Bank Limited
1 Raffles Place
OUB Centre
Singapore 048616

Gentlemen

GENEMEDIX PLC ("GENEMEDIX")

We report on the financial information of GeneMedix set out below. This financial information has been prepared for inclusion in the Listing Particulars dated 24 November 2000 of GeneMedix ("the Listing Particulars").

Basis of preparation

The financial information set out on pages 43 to 50 below, which has been prepared on the basis set out on page 45 below, and in accordance with applicable United Kingdom accounting standards, is based on the audited financial statements of GeneMedix for the period from incorporation on 18 November 1997 to 30 November 1998, the year ended 30 November 1999 and the 6 months ended 31 May 2000 ("the financial statements"), to which no adjustments were considered necessary.

Responsibility

The financial statements are the responsibility of the Directors of GeneMedix who approved their issue.

The Directors of GeneMedix are responsible for the contents of the Listing Particulars in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued in the United Kingdom by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included

that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregulatority or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of GeneMedix as at the dates stated and of its profits and cash flows for the periods then ended.

Profit and loss account

	Note	12 months ended 30 November 1998 £	12 months ended 30 November 1999 £	**6 months ended 31 May 2000 £**
Operating expenses	2	—	(13,923)	**(173,063)**
NIC payable on unapproved options		—	—	**(199,649)**
Operating loss		—	(13,923)	**(372,712)**
Interest income		—	505	**21,450**
Loss for the period before and after taxation, being retained loss for the period	3	—	(13,418)	**(351,262)**
Loss per share – basic	6	—	(0.1p)	**(0.4p)**
Loss per share – diluted	6	—	(0.1p)	**(0.4p)**

There are no recognised gains or losses in the current or prior periods other than those included in the profit and loss account. No dividends were declared or paid in the current or prior periods.

All results derive from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

PART 4(a) ACCOUNTANTS' REPORT ON GENEMEDIX

Balance sheet

	Note	30 November 1998 £	30 November 1999 £	**31 May 2000 £**
Fixed assets				
Intangible assets	7	—	33,333	**33,333**
Tangible assets	8	—	—	**3,013**
		—	33,333	**36,346**
Current assets				
Debtors	9	—	—	**23,539**
Cash at bank and in hand		2	492,088	**1,110,441**
		2	492,088	**1,133,980**
Creditors: Amounts falling due within one year	10	—	(405,506)	**(83,949)**
Net current assets		2	86,582	**1,050,031**
Provisions for liabilities and charges	11	—	—	**(199,649)**
Net assets		2	119,915	**886,728**
Capital and reserves				
Called up share capital	12	2	133,333	**874,610**
Share premium account	13	—	—	**376,798**
Profit and loss account	13	—	(13,418)	**(364,680)**
Equity shareholders' funds	14	2	119,915	**886,728**

The accompanying notes are an integral part of this balance sheet.

Cash flow statement

	Note	30 November 1998 £	30 November 1999 £	**31 May 2000 £**
Net cash outflow from operating activities	15	—	(8,417)	**(117,907)**
Returns on investments and servicing of finance	16	—	505	**21,450**
Capital expenditure and financial investments	16	—	—	**(3,265)**
Cash outflow before financing		—	(7,912)	**(99,722)**
Financing	16	2	499,998	**718,075**
Increase in cash in the period	17	2	492,086	**618,353**

The accompanying notes are an integral part of this cash flow statement.

Notes to the accounts

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period and the preceding periods, is set out below.

(a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Intangible assets – research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the cost of identifiable expenditure is deferred and amortised over the period during which the Company is expected to benefit following completion of the products. Provision is made for any impairment.

Intangible assets – Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life.

Office equipment – 4 years

(d) Foreign currency

Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating loss.

(e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the Directors, will probably not reverse.

2. Operating expenses

	12 months 30 November 1998 1998 £	12 months ended 30 November 1999 £	**6 months ended 31 May 2000 £**
Development costs	—	—	**78,718**
Administrative expenses	—	13,923	**94,345**
	—	13,923	**173,063**

3. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	12 months ended 30 November 1998 £	12 months ended 30 November 1999 £	**6 months ended 31 May 2000 £**
Depreciation	—	—	**252**
Auditors' remuneration	—	1,500	**—**

4. Directors remuneration

	12 months ended 30 November 1998 £	12 months ended 30 November 1999 £	**6 months ended 31 May 2000 £**
Salary	—	—	**8,571**

The only Director who received any emoluments during any period was Paul Edwards. The Company does not have a pension scheme and no pension contributions have been made in respect of any Directors.

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the Directors. Details of the options are as follows:

Name of director	1 December 1999	Granted	Exercised	Lapsed	31 May 2000	Exercise price £
Paul Edwards	—	2,359,410	—	—	2,359,410	0.0424

The options are exercisable between 10 December 1999 and 10 December 2009.

5. Staff costs

The aggregate payroll costs were as follows:

	12 months ended 30 November 1998 £	12 months ended 30 November 1999 £	**6 months ended 31 May 2000 £**
Wages and salaries	—	—	**18,391**
Social security costs	—	—	**1,023**
	—	—	**19,414**

The average monthly number of employees was:

	12 months ended 30 November 1998	12 months ended 30 November 1999	**6 months ended 31 May 2000**
Management and administration	—	—	**1**

6. Loss per share

The calculations of loss per share are based on the following losses and numbers of shares.

	12 months ended 30 November 1998 £	12 months ended 30 November 1999 £	**6 months ended 31 May 2000 £**
Loss for the financial period	—	13,418	**351,262**
	Number	**Number**	**Number**
Weighted average number of shares – basic	2	9,834,341	**86,366,904**
Weighted average number of shares – diluted	2	9,834,341	**87,304,958**

7. Intangible assets

During the year ended 30 November 1999, the Company acquired certain intellectual property and know-how at a cost of £33,333.

No amortisation has been charged against this intangible asset since the related products have not yet been completed.

8. Tangible fixed assets

	Office equipment £
Cost	
At 31 May 2000 being additions for the period	3,265
Depreciation	
At 31 May 2000 being the charge for the period	252
Net book value	
At 30 November 1998 and 1999	—
At 31 May 2000	3,013

9. Debtors

	30 November 1998 £	30 November 1999 £	**31 May 2000 £**
VAT	—	—	**18,965**
Prepayments	—	—	**4,574**
	—	—	**23,539**

10. Creditors: Amounts falling due within one year

	30 November 1998 £	30 November 1999 £	**31 May 2000 £**
Unissued share capital	—	400,000	**—**
Trade creditors	—	—	**63,266**
Other creditors	—	—	**614**
Accruals	—	5,506	**20,069**
	—	405,506	**83,949**

PART 4(a) ACCOUNTANTS' REPORT ON GENEMEDIX

11. Provisions for liabilities and charges

	£
At 1 December 1999	—
Charged to profit and loss account (NIC payable on options)	199,649
At 31 May 2000	**199,649**

12. Share capital

	30 November 1998 £	30 November 1999 £	**31 May 2000 £**
Authorised			
100,000,000 ordinary shares at 1p each (1998 and 1999: 1,000,000 ordinary shares at £1 each)	1,000,000	1,000,000	**1,000,000**
Allotted, called-up and fully paid			
87,461,010 ordinary shares at 1p each (1998: 2 ordinary shares at £1 each, 1999: 133,333 ordinary shares at £1 each)	2	133,333	**874,610**

During the year ended 30 November 1999, 133,331 ordinary shares of £1 each were issued. 33,333 shares were issued for non-cash consideration for the purchase of the intangible asset and 99,998 shares were issued at par for cash.

During the 6 months ended 31 May 2000 the company issued 14,906 ordinary shares with a nominal value of £1 at a premium of £74 for cash. By resolution approved on 14 January 2000, each ordinary share was split into 100 1p shares. On the same date the company issued a 4.9 for 1 bonus issue.

At 31 May 2000 the authorised share capital is 100,000,000 ordinary shares of 1p each of which 87,461,010 shares have been issued and fully paid.

Employee Share Schemes

Date of grant	Number of ordinary shares under option	Exercise price
10 December 1999	2,359,410	0.0424
13 January 2000	575,250	0.0424
14 May 2000	855,000	0.6333
17 May 2000	300,000	0.6167

13. Reserves

	Share premium account £	Profit & Loss account £
At 1 December 1998	—	—
Retained loss for the year	—	(13,418)
At 1 December 1999	—	(13,418)
Share issues	376,798	—
Retained loss for six months	—	(351,262)
At 31 May 2000	376,798	(364,680)

14. Reconciliation of movement on shareholders' funds

	30 November 1998 £	30 November 1999 £	**31 May 2000 £**
Share capital issued	2	133,331	**1,118,075**
Loss for the period	—	(13,418)	**(351,262)**
Net increase for the period	2	119,913	**766,813**
Opening shareholders' funds	—	2	**119,915**
Closing shareholders' funds	2	119,915	**886,728**

15. Reconciliation of operating loss to operating cash flows

	12 months ended 30 November 1998 £	12 months ended 30 November 1999 £	**6 months ended 31 May 2000 £**
Operating loss	—	(13,923)	**(372,712)**
Depreciation	—	—	**252**
Increase in debtors	—	—	**(23,539)**
Increase in creditors	—	5,506	**78,443**
Increase in provisions	—	—	**199,649**
Net cash outflow from operating activities	—	(8,417)	**(117,907)**

16. Analysis of cash flows

	30 November 1998 £	30 November 1999 £	**31 May 2000 £**
Returns on investments and servicing of finance			
Interest received	—	505	**21,450**
Capital expenditure and financial investment	—		
Purchase of tangible fixed assets	—	—	**(3,265)**
Financing			
Issue of ordinary share capital	2	499,998	**718,075**

17. Reconciliation of cash at bank and on hand

	30 November 1998 £	30 November 1999 £	**31 May 2000 £**
Opening balance	—	2	**492,088**
Net cash inflow	2	492,086	**618,353**
Closing balance	2	492,088	**1,110,441**

18. Related party transactions

In the year to 30 November 1999, Shanghai Institute of Biochemistry, a shareholder of the Company, transferred certain intellectual property and know-how to the Company as consideration for the issue of 33,333 ordinary £1 shares at par.

19. Guarantees and other financial commitments

During May 2000, GeneMedix contracted to purchase one Bioreactor from New Brunswick Scientific, for a total cost of £28,500.

There were no other guarantees or financial commitments at the period end (1998 and 1999: nil).

20. Financial instruments and derivatives

	30 November 1998 £	30 November 1999 £	**31 May 2000 £**
Financial assets			
Cash at bank	2	492,088	**1,110,441**
Financial liabilities			
Trade creditors (non-interest bearing and due within 1 year)	—	—	**63,266**

Currency exposures

The Company has had no currency exposures during any period to 31 May 2000.

Borrowing facilities

The Company has had no borrowing facilities during any period to 31 May 2000.

Market price risk

The Company has been in a pre-trading, start up phase throughout the period to 31 May 2000. There has been no significant exposure towards either interest rate or currency risks. The Company is instituting a policy to manage these risks.

21. Controlling party

Dr Kim Tan, a Director of the Company, as at 31 May 2000 has a controlling interest in the issued share capital.

Yours faithfully

Arthur Andersen
Chartered Accountants

PART 4(b) ACCOUNTANTS' REPORT ON SHANGHAI DONGXIN

ARTHUR ANDERSEN

Arthur Andersen

Abbots House
Abbey Street
Reading
RG1 3BD

The Directors
GeneMedix plc
42-46 High Street
Esher, Surrey
KT10 9QY

24 November 2000

The Directors
English Trust Company Limited
12A Charterhouse Square
London
EC1M 6AX

The Directors
Overseas Union Bank Limited
1 Raffles Place
OUB Centre
Singapore 048616

Gentlemen

GENEMEDIX PLC/SHANGHAI DONGXIN BIOTECHNOLOGY (SDB) LIMITED

On 9 November 2000 GeneMedix plc ("GeneMedix") entered into a conditional contract to acquire 75% of the issued share capital of Shanghai Dongxin Biotechnology Limited. We report on the financial information on Shanghai Dongxin Biotechnology Limited set out below. This financial information has been prepared for inclusion in the Listing Particulars dated 24 November 2000 of GeneMedix plc ("the Listing Particulars").

Basis of preparation

The financial information set out on pages 53 to 61 below, which has been prepared on the basis set out on pages 54 and 55 below and in accordance with applicable United Kingdom accounting standards, is based on the audited financial statements of Shanghai Dongxin Biotechnology Limited for the six months to 31 December 1997, two years ended 31 December 1999 and the six months ended 30 June 2000 ("the financial statements"), to which no adjustments were considered necessary.

Responsibility

The financial statements are the responsibility of the Directors of Shanghai Dongxin Biotechnology (SDB) Limited who approved their issue.

The Directors of GeneMedix plc are responsible for the contents of the Listing Particulars in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

PART 4(b) ACCOUNTANTS' REPORT ON SHANGHAI DONGXIN

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued in the United Kingdom by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of Shanghai Dongxin Biotechnology (SDB) Limited as at the dates stated and of its profits and cash flows for the periods then ended.

Profit and loss account

	Note	From 10 July to 31 December 1997 RMB	12 months ended 31 December 1998 RMB	12 months ended 31 December 1999 RMB	**6 months ended 30 June 2000 RMB**
Other income		—	—	—	**750,000**
Operating expenses	2	(121,296)	(1,969,781)	(2,612,981)	**(2,109,421)**
Operating loss		(121,296)	(1,969,781)	(2,612,981)	**(1,359,421)**
Interest expense		(8,288)	(108,938)	(432,993)	**(313,288)**
Interest income		2,012	13,357	16,105	**83,130**
Loss for the period before and after taxation, being retained loss for the period	3	(127,572)	(2,065,362)	(3,089,869)	**(1,589,579)**

There are no recognised gains or losses in the current or prior periods other than those included in the profit and loss account. No dividends have been proposed or paid in the current or prior periods.

All results derive from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

	Note	31 December 1997 RMB	31 December 1998 RMB	31 December 1999 RMB	**30 June 2000 RMB**
Fixed assets					
Tangible assets	5	4,366,780	19,471,751	35,779,415	**34,951,395**
Current assets					
Stock		—	—	28,654	**54,536**
Debtors	6	17,081,524	145,901	256,214	**257,869**
Cash at bank and in hand		624,124	3,093,989	317,198	**142,130**
		17,705,648	3,239,890	602,066	**454,535**
Creditors: Amounts falling due within one year	7	(7,200,000)	(9,904,575)	(26,664,284)	**(19,778,312)**
Net current assets		10,505,648	(6,664,865)	(26,062,218)	**(19,323,777)**
Net assets		14,872,428	12,807,066	9,717,197	**15,627,618**
Capital and reserves					
Called up share capital	8	15,000,000	15,000,000	15,000,000	**15,000,000**
Capital contribution	9	—	—	—	**7,500,000**
Profit and loss account	9	(127,572)	(2,192,934)	(5,282,803)	**(6,872,382)**
Equity shareholders' funds	10	14,872,428	12,807,066	9,717,197	**15,627,618**

The accompanying notes are an integral part of this balance sheet.

PART 4(b) ACCOUNTANTS' REPORT ON SHANGHAI DONGXIN

Cash flow statement

	Note	31 December 1997 RMB	31 December 1998 RMB	31 December 1999 RMB	**30 June 2000 RMB**
Net cash outflow from operating activities	11	(13,002,820)	18,532,917	(285,054)	**(1,403,778)**
Returns on investments and servicing of finance	12	(6,276)	(95,581)	(416,888)	**(230,158)**
Capital expenditure and financial investments	12	(4,366,780)	(15,367,471)	(16,922,349)	**(7,600)**
Cash outflow before financing		(17,375,876)	3,069,865	(17,624,291)	**(1,641,536)**
Financing	12	18,000,000	(600,000)	14,847,500	**1,466,468**
Increase/(decrease) in cash in the period	13	624,124	2,469,865	(2,776,791)	**(175,068)**

The accompanying notes are an integral part of this cash flow statement.

Notes to the accounts

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period and the preceding periods, is set out below.

(a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Intangible assets – research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the cost of identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit following completion of the products. Provision is made for any impairment.

Intangible assets – Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life:

Land use right	Lease term (16 years)
Buildings	Over the remaining period of land use right lease term.
Machinery and equipment	10 years
Motor vehicles	5 years

(d) *Construction-in-progress*

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs.

Construction-in-progress is not depreciated until such time as the assets are completed and put into operational use.

(e) *Foreign currency*

Monetary assets and liabilities in foreign currencies are translated into RMB at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into RMB at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating loss.

(f) *Inventory*

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in first-out basis, comprises materials and, where applicable, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of estimated selling prices less the estimated costs of completion and related selling and distribution expenses.

(g) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

(h) *Retirement scheme*

Pursuant to the People's Republic of China laws and regulations, contributions to the basic old age insurance for the Company's local staff are to be made monthly to a government agency based on 31.5% of the standard salary set by the municipal government, of which 25.5% is borne by the Company and the remaining are borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The Company accounts for these contributions on an accrual basis.

2. Other income

	From 10 July to 31 December 1997 RMB	12 months ended 31 December 1998 RMB	12 months ended 31 December 1999 RMB	**6 months ended 30 June 2000 RMB**
	—	—	—	**750,000**

Included in other income is RMB 650,000 received in the six months ended 30 June 2000 from a government department as a government subsidy for enterprises engaged in development and production of biomedicine.

3. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	From 10 July to 31 December 1997 RMB	12 months ended 31 December 1998 RMB	12 months ended 31 December 1999 RMB	**6 months ended 30 June 2000 RMB**
Depreciation	—	262,500	614,685	**835,620**
Research and development	—	939,720	350,000	—

PART 4(b) ACCOUNTANTS' REPORT ON SHANGHAI DONGXIN

4. Staff costs

The aggregate payroll costs were as follows:

	From 10 July to 31 December 1997 RMB	12 months ended 31 December 1998 RMB	12 months ended 31 December 1999 RMB	**6 months ended 30 June 2000 RMB**
Wages and salaries	—	50,550	255,790	**277,733**

The average monthly number of employees was:

	From 10 July to 31 December 1997	12 months ended 31 December 1998	12 months ended 31 December 1999	**6 months ended 30 June 2000**
	—	3	8	**20**

No directors received any remuneration during any period.

5. Tangible fixed assets

	Land and buildings RMB	Machinery and equipment RMB	Construction-in-progress RMB	Total RMB
Cost				
As of 10 July 1997	—	—	—	—
Additions	4,200,000	166,780	—	4,366,780
Transfers from CIP	—	—	—	—
As of 31 December 1997	4,200,000	166,780	—	4,366,780
Additions	—	—	15,367,471	15,367,471
Transfers from CIP	—	151,712	(151,712)	—
As of 31 December 1998	4,200,000	318,492	15,215,759	19,734,251
Additions	—	255,539	16,666,810	16,922,349
Transfers from CIP	20,074,534	11,808,035	(31,882,569)	—
As of 31 December 1999	24,274,534	12,382,066	—	36,656,600
Additions	—		7,600	7,600
Transfers from CIP	—	7,600	(7,600)	—
As of 30 June 2000	24,274,534	12,389,666	—	36,664,200
Accumulated depreciation				
As of 10 July 1997	—	—	—	—
Charge for the period	—	—	—	—
As of 31 December 1997	—	—	—	—
Charge for the year	(262,500)	—	—	(262,500)
As of 31 December 1998	(262,500)	—	—	(262,500)
Charge for the year	(614,685)	—	—	(614,685)
As of 31 December 1999	(877,185)	—	—	(877,185)
Charge for the period	(835,620)	—	—	(835,620)
As of 30 June 2000	(1,712,805)	—	—	(1,712,805)
Net book value				
As of 31 December 1997	4,200,000	166,780	—	4,366,780
As of 31 December 1998	3,937,500	318,492	15,215,759	19,471,751
As of 31 December 1999	23,397,349	12,382,066	—	35,779,415
As of 30 June 2000	22,561,729	12,389,666	—	34,951,395

5. Tangible fixed assets (continued)

According to the Land Use Right Purchase Contract dated 22 December 1997 signed between the Company and Shanghai Zhangjiang Hi-tech Park Development Co., Ltd. ("Transferor"), the Transferor will transfer the right to use a piece of land in Shanghai Zhangjiang Hi-tech Park to the Company for a price of RMB 4,200,000 payable in four instalments. The land use right will expire 16 years after the date of the contract.

Up to 30 June 2000, the Company has paid RMB 2,125,000, and the remaining amount (RMB 2,075,000) of the purchase price was overdue. Since the Company had at that date not fulfilled the purchase obligation, it had not obtained the land use right certificate. Subsequent to 30 June 2000 the outstanding payment has been made and the land right transfer has been received. The Company has submitted this transfer for registration.

6. Debtors

	31 December 1997 RMB	31 December 1998 RMB	31 December 1999 RMB	**30 June 2000 RMB**
Debtors	15,411,521	36,753	36,753	**36,753**
Prepayments and other debtors	1,670,003	109,148	219,461	**221,116**
	17,081,524	145,901	256,214	**257,869**

7. Creditors: Amounts falling due within one year

	31 December 1997 RMB	31 December 1998 RMB	31 December 1999 RMB	**30 June 2000 RMB**
Bank loans	3,000,000	—	10,000,000	**10,000,000**
Other loans	—	2,400,000	7,247,500	**1,213,968**
Other creditors	4,200,000	7,504,575	9,416,784	**8,564,344**
	7,200,000	9,904,575	26,664,284	**19,778,312**

8. Share capital

	31 December 1997 RMB	31 December 1998 RMB	31 December 1999 RMB	**30 June 2000 RMB**
Fully-paid share capital	15,000,000	15,000,000	15,000,000	**15,000,000**

9. Reserves

	Share Capital	Capital contribution	Profit and loss account
Balances as at 10 July 1997	15,000,000	—	—
Net loss for the period	—	—	(127,572)
Balances as at 31 December 1997	15,000,000	—	(127,572)
Net loss for the year	—	—	(2,065,362)
Balances as of 31 December 1998	15,000,000	—	(2,192,934)
Net loss for the year	—	—	(3,089,869)
Balances as at 31 December 1999	15,000,000	—	(5,282,803)
Capital contribution	—	7,500,000	—
Net loss for the period	—	—	(1,589,579)
Balances as at 30 June 2000	15,000,000	7,500,000	(6,872,382)

10. Reconciliation of movement on shareholders' funds

	1997 RMB	1998 RMB	1999 RMB	**2000 RMB**
Opening shareholders' funds	—	14,872,428	12,807,066	**9,777,197**
Share capital issued	15,000,000	—	—	**—**
Capital contribution	—	—	—	**7,500,000**
Loss for the period	(127,572)	(2,065,362)	(3,089,869)	**(1,589,579)**
Closing shareholders' funds	14,872,428	12,807,066	9,717,197	**15,627,618**

11. Reconciliation of operating loss to operating cash flows

	1997 RMB	1998 RMB	1999 RMB	**2000 RMB**
Operating loss	(121,296)	(1,969,781)	(2,612,981)	**(1,359,421)**
Depreciation	—	262,500	614,685	**835,620**
(Increase)/decrease in debtors	(17,081,524)	16,935,623	(110,313)	**(1,655)**
Increase in stock	—	—	(28,654)	**(25,882)**
Increase/(decrease) in creditors	4,200,000	3,304,575	1,852,209	**(852,440)**
Net cash (outflow)/inflow from operating activities	(13,002,820)	18,532,917	(285,054)	**(1,403,778)**

12. Analysis of cash flows

	1997 RMB	1998 RMB	1999 RMB	**2000 RMB**
Returns on investments and servicing of finance				
Interest received	2,012	13,357	16,105	**83,130**
Interest paid	(8,288)	(108,938)	(432,993)	**(313,288)**
	(6,276)	(95,581)	(416,888)	**(230,158)**
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(4,366,780)	(16,307,191)	(17,272,349)	**(7,600)**
Financing				
Issue of ordinary share capital/ capital contribution	15,000,000	—	—	**7,500,000**
New loans	3,000,000	2,400,000	14,847,500	**—**
Loan repayments	—	(3,000,000)	—	**(6,033,532)**
	18,000,000	(600,000)	14,847,500	**1,466,468**

13. Reconciliation of cash at bank and on hand

	1997 RMB	1998 RMB	1999 RMB	**2000 RMB**
Opening balance	—	624,124	3,093,989	**317,198**
Net cash inflow/(outflow)	624,124	2,469,865	(2,776,791)	**(175,068)**
Closing balance	624,124	3,093,989	317,198	**142,130**

14. Analysis and reconciliation of net debt

	10 July 1997 RMB	Cashflow RMB	31 December 1997 RMB	Cashflow RMB	31 December 1998 RMB
Cash in hand, at bank	—	624,124	624,124	2,469,865	3,093,989
Debt due within one year	—	(3,000,000)	(3,000,000)	600,000	(2,400,000)
Net debt	—	(2,375,876)	(2,375,876)	3,069,865	693,989

	Cashflow RMB	31 December 1999 RMB	Cashflow RMB	**30 June 2000 RMB**
Cash in hand, at bank	(2,776,791)	317,198	(175,068)	**142,130**
Debt due within one year	(14,847,500)	(17,247,500)	6,033,532	**(11,213,968)**
Net debt	(17,624,291)	(16,930,302)	5,858,464	**(11,071,838)**

	Period to 31 December 1997 RMB	Year to 31 December 1998 RMB	Year to 31 December 1999 RMB	**6 months to 30 June 2000 RMB**
Increase/(decrease) in cash in period	624,124	2,469,865	(2,776,791)	**(175,068)**
Cash inflow from increase in debt	(3,000,000)	(2,400,000)	(14,847,500)	**—**
Repayments of debt	—	3,000,000	—	**6,033,532**
Change in net debt resulting from cash flows	(2,375,876)	3,069,865	(17,624,291)	**5,858,464**
Net debt at beginning of period	—	(2,375,876)	693,989	**(16,930,302)**
Net (debt)/funds at end of period	(2,375,876)	693,989	(16,930,302)	**(11,071,838)**

15. Related party transactions

(a) Names and relationship of related parties

Name	Nature of relationship
SIB	Ultimate parent entity
Shanghai ShenglongDa Biotech (Group) Limited (ShenglongDa)	Current shareholder of the Company
Shanghai Dongfeng Biotech Company Limited (Dongfeng)	Former shareholder of the Company until May 2000
Shanghai Yaxin Property Co., Limited (Yaxin)	Former shareholder of the Company until April 2000

(b) Significant related party transactions for the six months ended 30 June 2000 and the years ended 31 December 1999, 1998 and the period from 10 July 1997 (date of incorporation) to 31 December 1997 are as follows:

PART 4(b) ACCOUNTANTS' REPORT ON SHANGHAI DONGXIN

15. Related party transactions (continued)

	From 10 July 1997 to 31 December 1997 RMB	Year ended 31 December 1998 RMB	Year ended 31 December 1999 RMB	**Six months ended 30 June 2000 RMB**
Processing income	—	—	—	**45,000**
Rental	—	350,000	350,000	—
Temporary loan to related parties:				
– Dongfeng	8,250,000	—	—	—
– Yaxin	6,469,999	—	—	—
Payment on behalf of SIB Loan from related parties:	691,522	—	—	—
– Yaxin	—	2,050,000	4,497,000	—
– ShenglongDa	—	—	—	**500,000**

In the six months ended 30 June 2000, loan from Yaxin was treated as part of capital surplus injected by Yaxin, as agreed by Yaxin and SIB.

(c) Balances with related parties as of 30 June 2000 and 31 December 1999, 1998 and 1997 are as follows:

	From 10 July 1997 to 31 December 1997 RMB	Year ended 31 December 1998 RMB	Year ended 31 December 1999 RMB	**Six months ended 30 June 2000 RMB**
Due to related parties				
– Yaxin	—	2,050,000	6,547,500	**13,968**
– Dongfeng	—	350,000	700,000	**700,000**
– ShenglongDa	—	—	—	**500,000**
	—	2,400,000	7,247,500	**1,213,968**
Due from related parties				
– Dongfeng	8,250,000	—	—	—
– Yaxin	6,469,999	—	—	—
– SIB	691,522	36,753	36,753	**36,753**
	15,411,521	36,753	36,753	**36,753**

The amounts due from and to related parties mainly arose from the above mentioned transactions. Loan from ShenglongDa is unsecured and bears 6% per annum with no fixed repayment terms. All other balances are unsecured, interest-free and have no fixed repayment terms.

16. Guarantees and other financial commitments

There were no other guarantees or financial commitments at the period end.

17. Financial instruments and derivatives

	31 December 1997 RMB	31 December 1998 RMB	31 December 1999 RMB	**30 June 2000 RMB**
Financial assets				
Cash at bank	624,124	3,093,989	317,198	**142,130**
Financial liabilities				
Bank loans	3,000,000	—	10,000,000	**10,000,000**
(fixed interest rate and due within 1 year)	7.60%	—	5.60%	**6.40%**
Other loans	—	2,400,000	7,247,500	**1,213,968**
(fixed 6% interest and due within 1 year)				

Currency exposures

The Company has had no currency exposures during any period to 30 June 2000.

Borrowing facilities

The Company has had no borrowing facilities during any period to 30 June 2000.

Market price risk

The Company has been in a pre-trading, start up phase throughout the period to 30 June 2000. There has been no significant exposure towards either interest rate or currency risks. The Company will institute a policy to manage these risks as they emerge.

Yours faithfully

Arthur Andersen
Chartered Accountants

GMX
GeneMedix plc

PART 5 PATENT AGENTS' REPORT

The following is the full text of a report by the Company's reporting patent agents

Gill Jennings & Every

European Patent Attorneys
Trade Mark Attorneys

Broadgate House - 7 Eldon Road - London EC2M 7LH

The Directors
GeneMedix plc
42-46 High Street
Esher, Surrey
KT10 9QY

English Trust Company Limited
12a Charterhouse Square
London
EC1M 6NA

Overseas Union Bank Limited
1 Raffles Place
OUB Centre
Singapore 048616

24 November 2000

Dear Sirs,

Gill Jennings & Every ("GJE") is a partnership of twelve European Patent Attorneys, Chartered Patent Agents and Trade Mark Agents supported by another four qualified agents and a total of about 75 employees. The firm, which was founded in 1912, is based in London, with branch offices in Cambridge, Munich and Alicante. The firm advises on all aspects of intellectual property ("IP"), including patent, design and trade mark rights, and copyright, and has a wide variety of clients, both in Britain and overseas, operating in all technical fields. GJE has acted for several clients, in connection with flotations on the London Stock Exchange and other markets.

Mr Robert Perry has been a Chartered Patent Agent and European Patent Attorney since 1978 and a partner of GJE since 1980. Mr Perry has considerable experience in pharmaceuticals and biotechnology. Mr Perry is responsible for the following report.

GJE has been asked to report on the patent position, in various territories, held by third parties, on products that GeneMedix may wish to make and sell. Our Report is as follows.

This Report has the following sections:

1. GeneMedix strategy on making and selling products.
2. The search strategy.
3. Patent term and effect.
4. The products of interest and relevant third party rights.

This report has been prepared for inclusion in the Listing Particulars dated • November 2000 of GeneMedix plc.

1. GENEMEDIX STRATEGY

GeneMedix wishes to market certain biotechnology products that are already accepted in the market place. GeneMedix is aware that these products may be patented, as products *per se* or, even if product Patents have expired, by proprietary processes. The Company's policy is not to infringe the valid rights of others, and has, therefore, asked GJE to investigate when patent protection in relevant territories may expire.

GeneMedix intends to manufacture products in the Far East, and principally in China, owing to the Company's association with, and access to the technology of, the Shanghai Institute of Biotechnology. In the first instance, sufficient product will be produced in order for clinical trials to be completed. On the successful completion of clinical trials, the product will be marketed on a worldwide basis.

2. THE SEARCH STRATEGY

Patents relevant to the GeneMedix strategy fall into two territorial categories. The first category comprises countries of manufacture, where it is necessary to ensure that patent protection has never or no longer exists, in order that manufacture can begin as soon as is desired. Alternatively, manufacture in a certain territory might begin once existing patent rights expire in that territory. The second category of countries comprises the major markets of the world, where the product can be sold, at a later date, once clinical approval has been achieved.

We understand that the countries in the first category that are of primary interest to GeneMedix are China (most preferred), Malaysia and Singapore. The major markets that constitute the second category include USA and EU.

Having identified the most relevant products, searches have been conducted, in order to establish the patent position on products as such. While GJE has concentrated in the first instance on protection for the products of primary interest (ie EPO, GM-CSF and IFNα-2b), preliminary searches have been conducted in connection with products that are intended to be made and marketed by GeneMedix in the longer term. Further, in connection with the products of primary interest, searches have been conducted, to establish whether there may be patent protection in respect of improved processes that GeneMedix might want to adopt and the results are under review. Such process Patents may remain in force for much longer than the original product Patents; process protection can be of value to the Patentee, once protection on the product itself has lapsed.

Once a Patent on a product has been identified, in any territory, databases available online will show whether or not corresponding patents exist in other countries. Typically, the territories for which preliminary information can readily be obtained include USA, Canada, Brazil, European Union, Poland, Hungary, Czech Republic, China, Japan, South Africa and Australia. Since no search is necessarily exhaustive, negative results should be checked locally, in any country of particular commercial importance.

Such preliminary searches may show nothing for India, Argentina, Indonesia, Russia, Malaysia, Singapore or Korea; further searching is necessary if any of these territories is of particular interest. Thus, if manufacture of a product of primary interest in China is excluded by existing patent protection there, searches have been conducted in Malaysia and Singapore.

If a patent in a relevant territory is located, searches, as described above, do not indicate whether it is in force. This information can be obtained from local attorneys, as necessary.

It must be borne in mind that no search can be guaranteed as accurate. For example, errors may exist in official records, on the data used to access information, or on the databases themselves.

PART 5 PATENT AGENTS' REPORT

3. PATENT TERM AND EFFECT

In most countries, a Patent, once granted, can be maintained for 20 years from the filing date, subject to the payment of renewal fees. In certain countries, the maximum patent term is shorter. In India, for example, patents relating to pharmaceutical products may have a term of only 7 years.

In the USA, the term of a Patent is 20 years from the filing date, for a recent application. However, a US patent may have a term of 17 years from the date of issue, provided that the Application was made before 6 June 1995. In the past, there has, therefore, often been an advantage to a US Patentee to maintain an Application on a new product pending as long as possible, and to get a Patent issued only when the value of that Patent could be maximised. Therefore, in certain cases, US protection for a given product may expire much later than elsewhere in the world.

In certain circumstances, the term of exclusivity in respect of a patented product may be extended beyond the normal term, typically because of regulatory delays. Information regarding exclusivity in the USA is available from the "Orange Book". In the USA, "Orphan Drug" exclusivity may also be obtained. In EU countries, a Supplementary Protection Certificate (SPC) may be granted, providing exclusivity for up to 5 years beyond patent expiry.

A SPC is based on the first marketing authorisation in the EU. Information gained from the, say, British Patent Office will, therefore, indicate the likely position in other EU countries.

In many countries, conducting clinical trials is considered commercial and, therefore, infringes relevant patent rights. In the USA, we understand that steps up to the filing of an (Abbreviated) New Drug Application are excluded from infringement.

4. THE PRODUCTS OF INTEREST/THIRD PARTY RIGHTS

We understand that the products of most immediate importance to GeneMedix are erythropoeitin (EPO), interferon α(IFNα) and granulocyte macrophage colony stimulating factor (GM-CSF). The existing patent position on these and other products of possible interest to GeneMedix will now be discussed.

Erythropoietin (e.g. Eprex)

Searches have identified European Patent No. 148605 (Kirin-Amgen), by claiming erythropoietin itself and the gene encoding it, and a corresponding family of patents. The countries in this family are the EU (excluding Ireland), Switzerland, Norway, Japan, South Africa, Canada, Israel, China, Czech and Slovak Republics and Australia. The normal 20 year term expires in 2004. An application for a Supplementary Protection Certificate was made in the United Kingdom, but then withdrawn.

A US Patent on the gene encoding EPO expires in 2004. However, US Patent No. 5547933 (Amgen) on the compound itself expires in 2013.

Additional searches have revealed that EPO is patented in Singapore. There is apparently no patent in Malaysia.

GM-CSF (e.g. Molgramostim)

Searches have identified European Patents Nos. 188479 (Novartis) and 177568 (Research Corp. Technologies) and corresponding families of patents. The countries in the Novartis family are the EU (excluding Ireland), Switzerland, Norway, Japan, South Africa, Canada, Israel, Hungary, Czech and Slovak Republics, and Australia. The normal 20 year term expires in 2005. A Supplementary Protection Certificate in respect of GM-CSF including Molgramostim (by Novartis) has been obtained in the United Kingdom, and expires in October 2007. A corresponding US Patent 5891429 (Novartis) expires in 2015.

An application by Research Corp. Technologies for a Supplementary Protection Certificate in respect of "Molgramostim (a recombinant human granulocyte-macrophage colony stimulating factor, non-glycosylated with isoleucine at position 100) has been withdrawn.

IFN-α-2B (e.g. Intron A)

Searches have identified British Patent Number No. 2037296 (Hoffman-la-Roche) which discloses and claims various interferons as new products, including both IFN-αA and IFN-α2. There is a corresponding family of patents, for which the normal 20 year period has already expired in 1999 (a Supplementary Protection Certificate was obtained in the United Kingdom, but in respect of Interferon alpha-2A only).

The corresponding gene is the subject of US Patent No. 4,530,901 (Biogen) which expires in 2002. Corresponding patents in other jurisdictions expire in January 2001. There is no Supplementary Protection Certificate associated with Intron A.

IFNγ-1b (e.g. Immukin)

Searches have identified European Patent No. 77670 (Genentech) relating to "human immune interferon". The countries in this family are the EU, Australia, Norway, Japan, Brazil, South Africa, Hungary, Romania, Israel, USA, Philippines, Russia and the Czech and Slovak Republics. The normal 20 year term expires in 2002. Among corresponding US Patents one on transformed cells expressing the interferon expires in 2005.

Searches have also identified European Patent No. 117470 (Yeda Research & Development) relating to subtypes 21K & 26K. The countries in this family are Belgium, Switzerland, Germany, France, United Kingdom, Italy, Netherlands, Sweden, Australia, South Africa, Japan, USA, Israel and Canada. The normal 20 year term expires in 2004.

Human Insulin (e.g. Velosulin)

Searches have identified Patents for which the normal 20 year term expires in 2005. A US Patent expires in 2007. No application for extension has yet been made in the United Kingdom.

IL-2 (e.g. Proleukin)

Searches have identified Patents for which the normal 20 year term expires in 2005. A US Patent expires in 2012. No application for extension has yet been made in the United Kingdom.

Yours faithfully,

Gill Jennings & Every

PART 6 UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The unaudited pro forma statement of net assets of the Company illustrating the effect of the issue of Ordinary Shares in July 2000, the acquisition of SDB and the Placings, as if they had taken place on 31 May 2000, on the Company's net assets is set out below. This Statement has been prepared, on the basis of the notes set out below, for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Company.

Pro Forma Statement of net assets

		Adjustments				
	GeneMedix as at 31 May 2000 £'000	SDB as at 30 June 2000 (Note 2) £'000	Subsequent Share Issue (Note 3a) £'000	Net proceeds of funding (Note 3b) £'000	Purchase of SDB (Note 4) £'000	Pro forma Enlarged Group £'000
Fixed assets						
Tangible assets	33	2,779	—	—	—	2,812
Intangible assets	3	—	—	—	4,062	4,065
	36	2,779	—	—	4,062	6,877
Current assets						
Stock	—	4	—	—	—	4
Debtors	24	21	—	—	—	45
Cash at bank and in hand	1,110	11	3,343	18,500	(5,305)	17,659
	1,134	36	3,343	18,500	(5,305)	17,708
Creditors: amounts falling due within one year	(84)	(1,572)	—	—	—	(1,656)
Net current assets/liabilities	1,050	(1,536)	3,343	18,500	(5,305)	16,052
Total assets less current liabilities	1,086	1,243	3,343	18,500	(1,243)	22,929
Creditors: amounts falling due after one year	(200)	—	—	—	—	(200)
Net assets	886	1,243	3,343	18,500	(1,243)	22,729

Notes:

1. The net assets of GeneMedix have been extracted from the audited balance sheet at 31 May 2000 as set out in Part 4(a).
2. The net assets of SDB at 30 June 2000 have been extracted from the audited balance sheet at 30 June 2000 as set out in Part 4(b) converted at RMB 12.58 = £1.
3. (a) The net proceeds of the placing of Ordinary Shares in July 2000 received by the Company was £3,343,200, net of expenses of £16,800.
   (b) the net proceeds of the Placings receivable by the Company is £18.5 million net of expenses of £1.5 million.
4. The adjustment to reflect the purchase of SDB and the recognition of the goodwill arising on the acquisition have been calculated on the basis that the consideration is paid wholly in cash and as follows:

	£'000
Purchase consideration (RMB 66.72 million)	5,305
Net assets of SDB acquired	(1,243)
Goodwill arising on acquisition	4,062

   Under the terms of the acquisition agreement, detailed in paragraph 11.3 of Part 7, part of the consideration may be satisfied by the issue of Ordinary Shares.
5. The goodwill arising on acquisition of SDB will be amortised on a straight line basis over a period of 15 years.
6. No adjustment has been made to take into account the results of either GeneMedix or SDB since 31 May 2000 or 30 June 2000 respectively or to reflect the fair value of the assets of SDB.

GMX
GeneMedix plc


ARTHUR ANDERSEN

Arthur Andersen

Abbots House
Abbey Street
Reading
RG1 3BD

The Directors
GeneMedix plc
42-46 High Street
Esher
Surrey KT10 9QY

The Directors
English Trust Company Limited
12a Charterhouse Square
London
EC1M 6NA

24 November 2000

The Directors
Overseas Union Bank Limited
1 Raffles Place
OUB Centre
Singapore 048616

Gentlemen

We report on the *pro forma* statement of net assets (the "*pro forma* financial information") set out in Part 6 of the Listing Particulars dated 24 November 2000 issued by GeneMedix plc, which has been prepared, for illustrative purposes only, to provide information about how the issue of Ordinary Shares in July 2000, the acquisition of SDB and the Placings might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of GeneMedix plc to prepare the *pro forma* financial information in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority ("the Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the *pro forma* financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on *pro forma* financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *pro forma* financial information with the Directors of GeneMedix plc.

PART 6 UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

Opinion

In our opinion:

1. the *pro forma* financial information has been properly compiled on the basis stated:
2. such basis is consistent with the accounting policies of GeneMedix plc; and
3. the adjustments are appropriate for the purposes of the *pro forma* financial information as disclosed pursuant to paragraph 12.29 of the Listing Rules of the UK Listing Authority.

Yours faithfully

Arthur Andersen
Chartered Accountants

PART 7 ADDITIONAL INFORMATION

1. Incorporation and registered office

1.1 The Company was incorporated and registered in England and Wales on 18 November 1997 with registered number 3467317 as a public company limited by shares under the Companies Act 1985.

1.2 The Company's registered office in the United Kingdom is 42-46 High Street, Esher, Surrey KT10 9QY.

2. Share capital

2.1 On incorporation, the Company had an authorised share capital of £1,000,000 divided into 1,000,000 ordinary shares of £1 each, of which two shares were issued, nil paid, to the subscribers to the Memorandum of Association of the Company.

2.2 Since incorporation of the Company, there have been the following changes in its authorised and issued share capital:

(i) On 11 October 1999, the Company allotted 99,998 ordinary shares of £1 each for a cash consideration of £1 per share and the two subscriber shares were paid up in cash;

(ii) On 11 October 1999, the Company allotted 33,333 ordinary shares of £1 each credited as fully paid at par value, in consideration of SIB entering into the SIB Agreement;

(iii) On 3 December 1999, the Company allotted 5,333 ordinary shares of £1 each for a cash consideration of £75 per share;

(iv) On 10 December 1999, the Company allotted 1,113 ordinary shares of £1 each for a cash consideration of £75 per share;

(v) On 5 January 2000, the Company allotted 3,127 ordinary shares of £1 each for a cash consideration of £75 per share;

(vi) On 12 January 2000, the Company allotted 5,333 ordinary shares of £1 each for a cash consideration of £75 per share;

(vii) By an ordinary resolution dated 14 January 2000, the 1,000,000 ordinary shares of £1 each in the authorised share capital were each sub-divided into 100 Ordinary Shares;

(viii) By an ordinary resolution dated 14 January 2000, the Company allotted 72,637,110 Ordinary Shares credited as fully paid by way of a bonus issue;

(ix) On 27 July 2000, the Company allotted 1,680,000 Ordinary Shares for a cash consideration of £2.00 per share;

(x) On 21 August 2000, the Company allotted 5,000 Ordinary Shares for a cash consideration of £1.90 per share pursuant to the exercise of a share option;

(xi) By an ordinary resolution dated 16 October 2000, the authorised share capital was increased to £6,000,000 by the creation of an additional 500,000,000 Ordinary Shares.

(xii) By an ordinary resolution dated 16 October 2000, the Company allotted 178,292,020 Ordinary Shares credited as fully paid by way of a bonus issue;

2.3 The authorised and issued share capital of the Company as at the date of this document will be as set out below:

Authorised			*Issued*	
£	No.		£	No.
6,000,000	600,000,000	Ordinary Shares	2,674,380.30	267,438,030

PART 7 ADDITIONAL INFORMATION

2.4 The authorised and issued share capital of the Company on Admission is set out below:

Authorised			*Issued*	
£	No.		£	No.
6,000,000	600,000,000	Ordinary Shares	2,896,603	289,660,252

2.5 As at 31 October 2000, the aggregate of the called up share capital and share premium account of the Company was £4,604,108. There will be no further issues of Ordinary Shares between such date and Admission. On Admission, the aggregate of the called up share capital and share premium of the Company will be £23,104,108.

2.6 The Company does not have in issue any other securities, whether listed or unlisted.

2.7 Of the ordinary and special resolutions passed on 16 October 2000, the following authorities are still extant:

2.7.1 The Directors were authorised, generally and unconditionally, pursuant to Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot to such persons at such times and on such terms as they think proper relevant securities (as defined in the said Act) up to an aggregate nominal amount of £4,000,000 provided that:

(a) immediately following Admission this authority is limited to one third of the then issued ordinary share capital of the Company (other than any obligation of the Company in relation to the acquisition of a shareholding in SDB);

(b) this authority is to expire at the earlier of the conclusion of the Annual General Meeting of the Company held in 2001 or fifteen months from the date of the passing of this resolution save that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired; and

(c) this authority is to replace any like authority which is hereby revoked with immediate effect.

2.7.2 The Directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) pursuant to the authority conferred on them by sub-paragraph 2.7.1 above (as varied from time to time by the Company in general meeting) as if section 89(1) of the Act did not apply to any such allotment provided that such power shall be limited to:

(a) the allotment of equity securities to implement the bonus issue described in paragraph 2.2(xii) above;

(b) the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws of or the requirements of any recognised regulatory body in any territory or otherwise; and

(c) the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities having, in the case of relevant shares, a nominal amount or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having a nominal amount not exceeding in aggregate the sum of £200,000;

Provided always that the power conferred by this resolution:

(i) is, notwithstanding sub-paragraph (c) above (in the case of any allotment made otherwise than pursuant to sub-paragraphs (a) and (b) of this resolution) to be limited to

the allottment of equity securities up to an aggregate nominal amount of five per cent. of the ordinary share capital of the Company in issue immediately following Admission; and

(ii) is to operate in substitution for and to the exclusion of any previous power given to the Directors pursuant to Section 95 of the Act and shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company held in 2001 or the date falling fifteen months from the date of the passing of this resolution unless renewed or extended prior to such time except that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement which would, or might, require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power hereby had not expired.

2.8 *Options over Ordinary Shares have been granted to employees as described in paragraph 7 below.*

2.9 On 9 November 2000, the Company, in consideration of the transfer to it of the 75 per cent. interest in SDB, issued a convertible loan note, further details of which are set out in paragraph 11.3 of this Part 7, pursuant to which up to 4,241,393 new Ordinary Shares (based upon an exchange rate of RMB 12.58 = £1) (representing 1.5 per cent. of the issued Ordinary Shares on Admission) may be issued.

2.10 Save as disclosed in paragraphs 2.2, 2.8, 2.9, 7 and 11:

2.10.1 no share or loan capital of GeneMedix has been issued or agreed to be issued since incorporation or is now proposed to be issued fully or partly paid either for cash or for consideration other than cash to any person;

2.10.2 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option; and

2.10.3 since incorporation the Company has not granted any commissions, discounts, brokerage or other special terms in connection with the issue or sale of any share or loan capital of any such company.

2.11 Of the total placing of 22,277,778 Ordinary Shares, 14,477,778 Ordinary Shares are being placed in the UK and 7,800,800 Ordinary Shares in Singapore.

2.12 The Ordinary Shares are in registered form and may be held in uncertificated form.

3. Subsidiary Undertaking

The Company has entered into an agreement to acquire a controlling share interest in SDB which, on completion of the acquisition, will be a subsidiary of the Company. SDB (to be renamed Shanghai GeneMedix Biotechnology Company Limited after the completion of the acquisition), whose registered address is No. A3-6 Land Block, Zhangjiang High-Tech Park, Pudong, Shanghai. SDB has the right to use and operates a pharmaceutical manufacturing facility located in Shanghai, China. SDB has a registered capital of RMB 15 million of which the Company will acquire 75 per cent. The remaining 25 per cent. of the shares will be retained by Shanghai Zhongke ShenglongDa Biotechnology (Group) Co., Ltd, whose legal address is Room 208, No 6649, Chuanbei Road, Zhangjiang Hi-Tech Park, Shanghai, China. The investment in this subsidiary in the Company's next audited accounts based upon the acquisition agreement, details of which are set out in paragraph 11 of this Part 7, will be £5,305,000 (at RMB 12.58 = £1). The Company has an obligation, pursuant to the acquisition agreement, to invest a further RMB 18,000,000 (£1,430,800) which will be constituted as part of an increase in registered capital.

4. Memorandum and Articles of Association

4.1 *Memorandum of Association*

The Company's principal objects, as set out in clause 1 of its Memorandum of Association, are to carry on the business of a holding and investment company, to carry on business as a scientific research

company and to engage in the development, manufacture, distribution and sales of medicinal products. The objects of the Company are set out in full in the Memorandum of Association.

4.2 *Articles of Association*

The Articles contain, *inter alia*, the following provisions:

4.2.1 *Voting rights*

Subject to any rights or restrictions attached to any shares and to any other provisions of these Articles, on a show of hands every member who is present in person shall have one vote and on a poll every member shall have one vote for every share of which he is the holder.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

Unless the Board otherwise determines, no member, or person to whom any of that member's shareholding is transferred other than by a transfer approved under the Articles, may vote at any general meeting or at any separate meeting of holders of any class of shares in the Company either in person or by proxy in respect of any share in the Company held by him if he or any other person appearing to be interested in the share has been given a notice under Section 212 of the Act and has failed to give the Company the information required by the notice within the applicable period and the Company has then given the holder of those shares a further notice ("restriction notice") to the effect that from the service of the restriction notice those shares will be subject to some or all of the relevant restrictions.

4.2.2 *Dividends*

Subject to the provisions of every statute for the time being in force concerning companies and affecting the Company (the "Statutes"), the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members but not exceeding the amount recommended by the Board.

If it appears to the Board that they are justified by the financial position of the Company, the Board may pay: (A) interim dividends; or (B) at intervals settled by it, any dividend payable at a fixed date.

Except in so far as the rights attaching to any share otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. There are no fixed dates on which any entitlement to dividends or interest arises.

Dividends may be satisfied, wholly or partly, by the distribution of assets and may be declared or paid in any currency. The Board may, if authorised by an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares, credited as fully paid, instead of cash for all or part of the dividend specified by that ordinary resolution.

The Company may cease to send any cheque, warrant or financial instrument through the post for any dividend or other monies payable in respect of a share if in respect of at least two consecutive dividends payable on that share the cheques, warrants or other financial instruments have been returned undelivered or remain uncashed. The Company must resume sending cheques, warrants or other financial instruments if the shareholder or person entitled by transmission claims the arrears.

Any dividend unclaimed for 12 years from the date when it became due for payment will be forfeited and revert to the Company.

Unless the Board determines otherwise, no member holding shares representing 0.25 per cent., or more in nominal value of the issued shares of any class of share capital of the Company will be entitled to receive payment of any dividend or other distribution if he or any person appearing to be interested in such shares has been given notice under Section 212 of the Act and has failed to give the Company the information required by the notice within the applicable period and the Company has then given the holder of those shares a restriction notice to the effect that from the service of the restriction notice those shares will be subject to such restrictions.

4.2.3 *Return of capital*

On a winding up, a liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Statutes, divide among the members the whole or any part of the assets of the Company (whether the assets are of the same kind or not).

4.2.4 *Purchase of own shares*

Subject to the Statutes and to any rights conferred on the holder of any class of shares, the Company may purchase all or any of its shares of any class (including any redeemable shares). The Ordinary Shares do not however, carry any right for the holder to require redemption of his shares by the Company.

4.2.5 *Transfer of shares*

Subject to such of the restrictions of the Articles as may be applicable, a member may transfer all or any of his shares, in the case of shares held in certificated form, by an instrument of transfer in any usual form or in any other form which the Board may approve or, in the case of shares in uncertificated form, in accordance with the Uncertificated Securities Regulations 1995 and the rules of any relevant system (as defined therein) (the "Regulations"). An instrument or transfer shall be executed by or on behalf of the transferor and (unless the share is fully paid) by or on behalf of the transferee. Subject to the Statutes, the transferor will be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.

Subject to the Statutes, the Board may refuse to register the transfer of a share which is not fully paid without giving any reason for doing so.

The Board may also refuse to register the transfer of a share if: (A) it is held in certificated form and it is not lodged, duly stamped (if necessary), at the Company's registered office or at such other place as the Board may appoint and accompanied by the certificate for the shares to which it relates (where a certificate has been issued in respect of the shares) and/or such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (B) if it is not in respect of one class of share only; (C) if it is not in favour of four or fewer transferees; and (D) if it is in favour of a minor, bankrupt or person of mental ill health. In the case of shares held in uncertificated form, the Board may refuse to register a transfer in any other circumstances permitted by the Regulations.

If the Board refuses to register a transfer, it shall, within two months from the date on which the transfer was lodged, or, in the case of shares held in uncertificated form, the relevant operator instruction was received send to the transferee notice of the refusal. The registration of transfers may be suspended at such times and for such periods (not exceeding thirty days in any calendar year) as the Board may determine.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share. Any instrument of transfer, which is registered, may be retained by the Company, but any instrument of transfer which the Board refuses to register shall be returned to the person lodging it when notice of the refusal is given.

Unless the Board determines otherwise, no member holding shares representing 0.25 per cent., or more in nominal value of the issued shares of any class of relevant share capital (as defined by Section 198(2) of the Act) in the Company will be entitled to transfer any such shares otherwise than pursuant to an excepted transfer (as defined in the Articles) if he or any person appearing to be interested in such shares has been given notice under Section 212 of the Act and has failed to give to the Company the information required by the notice within the applicable period and the Company has then given the holder of those shares a restriction notice to the effect that from the service of the restriction notice those shares will be subject to such restrictions.

4.2.6 *Borrowing Powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Statutes, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only in so far as by the exercise of such rights or powers of control of the Board can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the Company and its subsidiary undertakings (the "Group") (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to three times the adjusted capital and reserves (as defined in the Articles).

4.2.7 *Rights of pre-emption*

The Articles do not contain any provisions which set out a procedure for the exercise of pre-emption rights, in addition to that provided for by the Act.

4.2.8 *Variation of Rights*

Except where the Act permits any change to be effected by ordinary resolution, all of the rights attaching to the Ordinary Shares which are contained in the Articles of Association may only be varied by a special resolution of the Company.

4.2.9 *Alteration of Share Capital*

The Company may by ordinary resolution increase, consolidate and divide and sub-divide its share capital. Subject to the Statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account or other undistributable reserve in any manner.

4.2.10 *Members Resident Abroad*

Any member with a registered address outside the United Kingdom is not entitled to the notices or other documents from the Company unless he has given the Company an address within the United Kingdom at which such notices or other documents may be served on or delivered to him.

4.2.11 *Directors*

No person shall be disqualified from being appointed a Director, and no Director shall be required to vacate that office, by reason only of the fact that he has attained the age of 70 years and any other age.

A Director shall not vote (or be counted in a quorum of a meeting) in respect of any matter in which he (including any person connected with that Director) has an interest which is to his knowledge a material interest. Notwithstanding the above, a Director shall be entitled to vote (and be counted in the quorum at any meeting) on:

(a) any matter in which he is interested by virtue of an interest in shares, debentures or securities of the Company or otherwise in or through the Company;

(b) the giving to him of any guarantee, security or indemnity in respect of money lent, obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility under a guarantee or indemnity or by the giving of security;

(c) any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or my be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter;

(d) any contract concerning another company in which he and any connected person do not, to his knowledge, hold an interest in shares representing 1 per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company;

(e) any arrangement for the benefit of the employees of the Company or any of its subsidiary undertaking under which he benefits in a similar manner as the employees and which does not accord to any Directors as such any privilege or advantage not accorded to the employees to whom the arrangement relates; and

(f) any contract concerning any insurance which the Company is empowered to purchase or maintain for the benefit of any Directors or for persons who include Directors; and

4.2.12 *Proxies appointed by the Central Depository (Pte) Limited of Singapore*

A proxy appointed by a member who is the Central Depository (Pte) Limited of Singapore (which as bare trustee operates the Central Depository System in Singapore for the holding and transfer of book entry securities) is entitled to vote on a show of hands and speak at a general meeting of the Company. Otherwise, a proxy appointed by a member is not entitled to vote on a show of hands or speak at a general meeting.

4.2.13 *Convening of and attendance at general meetings*

Annual and extraordinary general meetings shall be held at such time and place as the Board may determine, subject to statutory requirements. The Board has absolute discretion to require that members or proxies attending a general meeting should submit to such searches or other security arrangements as the Board considers appropriate.

5. Directors and Directors' Interests

5.1 The Directors have held within the past five years prior to the date of this document and continue to hold the following other directorships (in addition to directorships in GeneMedix):

Director	Current directorships	Past directorships
Dr K S Tan	KS Biomedix Holdings Plc KS Biomedix Limited Asiaprise SDN BHD (Malaysia) TransXenoGen Inc. (US)	Guildhay Antisera Ltd Shoppers (a trading partnership)
Dr H H Ting	Shanghai Alpha Biotechnology Company (China) Vantron Trading Limited (Hong Kong) Sinosources Holding Limited (Hong Kong)	None
Mr G Mylchreest	Inn Vermont Limited The Big Brolley Company Limited	None

PART 7 ADDITIONAL INFORMATION

Director	Current directorships	Past directorships
Mr P Edwards	None	Genzyme Limited Genzyme Pension Trustees Limited Genzyme Vehicle Leasing Limited Genzyme B.V. (Dutch) Neozyme II Corporation (British Virgin Islands)
Mr J Attfield	None	None
Mr K J Fong	Spectrum Holdings Pte Ltd (Singapore) Mirim Investment Pte Ltd (Singapore) Da Di Pte Ltd (Singapore) Hampshire Pte Ltd (Singapore) eCredit Singapore Pte Ltd (Singapore) Skyhub Singapore Pte Ltd (Singapore) Ebly Profits Limited (British Virgin Islands) Higrove Investments Ltd (British Virgin Islands) Online Credit International Ltd (Hong Kong) eBiz.hk.com Limited (Hong Kong) eVision USA.Com. Inc. (US) eBanker USA.Com. Inc. (US) Global Med Technologies Inc. (US) PeopleMed.Com. Inc. (US)	Secuton Corp. (USA) e Broker International, Inc. (USA)

5.2 Save as disclosed above, the Directors have not held within the past five years and do not hold, any other directorships or partnerships.

5.3 No Director has:

5.3.1 any unspent convictions in relation to indictable offences; or

5.3.2 had any bankruptcy order made against him or entered into any individual voluntary arrangement; or

5.3.3 been a director of a company which has been placed into receivership, compulsory liquidation, creditors' voluntary liquidation, administration or which has entered into any company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors; or

5.3.4 been a partner of any partnership which at the time of or within twelve months proceeding such events has been put into compulsory liquidation or entered into a partnership voluntary arrangement; or

5.3.5 had receivership of any assets of such Director or of a partnership where he was a partner at the time or within the 12 months preceding such events; or

5.3.6 been publicly criticised by statutory or regulatory authorities (including recognised professional bodies) nor has such Director ever been disqualified by a court from acting as

a director of a company or from acting in the management or conduct of the affairs of any company.

5.4 The interests of each of the Directors and their immediate families in the issued share capital of the Company which have been notified to the Company pursuant to sections 324 to 328 of the Act or which are required to be entered in the register of Directors' interests maintained by the Company pursuant to section 325 of the Act (all of which are beneficial save as referred to below) including interests of persons connected (within the meaning of section 346 of the Act) with a Director, which interests if such connected persons were Directors, would be required to be disclosed pursuant to the Act and the existence of which is known to or could with reasonable diligence be ascertained by the Directors, as they were as at 23 November 2000 (being the latest practicable date prior to publication of this document) and as they will be immediately following Admission are as follows:

Director	No. of Ordinary Shares held before Admission	% of issued share capital before Admission	No. of Ordinary Shares held after Admission	% of issued share capital following Admission	No. of Ordinary Shares under option
Dr K S Tan[(a)]	160,203,000	59.90	156,309,111	54.0%	—
Dr H H Ting[(b)]	18,581,820	6.95	18,566,820	6.4%	—
Mr G Mylchreest[(c)]	9,439,410	3.53	9,427,410	3.3%	—
Mr P Edwards	—	—	—	—	2,359,410
Mr J Attfield	—	—	—	—	375,000
Mr K J Fong	—	—	—	—	—

(a) The interest of Dr Tan includes 159,000,000 Ordinary Shares before Admission and 155,106,111 Ordinary Shares following Admission owned by Eastgate Investments Limited ("Eastgate"), a company owned by a trust of which Dr Tan is a beneficiary, 300,000 Ordinary Shares (both before and after Admission) registered in the name of NY Nominees Limited and beneficially owned by Eastgate, 891,840 Ordinary Shares (both before and after Admission) registered in the name of SLC Registrars Limited beneficially owned by Dr Tan and 2,310 Ordinary Shares and 8,850 Ordinary Shares (in each case both before and after Admission) owned by Ben Tan and James Tan, Dr Tan's minor children. In addition to Ordinary Shares being sold by Eastgate pursuant to the UK Placing Agreement, Eastgate has contracted to sell 3,888,889 Ordinary Shares *at the Placing Price conditional upon Admission, directly to an arms length purchaser.*

(b) The interest of Dr Ting includes four interests of 16,500 Ordinary Shares each (both before and after Admission) beneficially owned by each of his wife and three minor children. The interest of Dr Ting arose through an allotment to him of ordinary shares of £1 each in the capital of the Company as detailed in paragraph 11.2 of Part 7.

(c) The interest of Mr Mylchreest is registered in the name of NY Nominees Limited.

5.5 Save as disclosed above, none of the Directors (or any person connected with them within the meaning of Section 346 of the Act) has any interest in the share capital of the Company.

5.6 Each of the executive Directors has a service contract with the Company as follows:

Name	Current salary	Notice from Company	Notice to Company	Date of contract
Mr P Edwards	£75,000	12 months	12 months	15 November 2000
Mr J Attfield	£60,000	12 months	6 months	15 November 2000
Dr H H Ting	£12,000	12 months	12 months	15 November 2000

Each executive director also receives the same life insurance benefits as other employees.

5.7 Save as disclosed above, there are no service agreements or proposed service agreements between the Company and any of the Directors.

5.8 Save for the Placing Agreements (paragraph 11.6 of Part 7) and the controlling shareholder agreement (paragraph 11.11 of Part 7), none of the Directors has or has had any interest in any transaction with the Company or SDB which is or was of an unusual nature, contains or contained unusual terms or is or was significant in relation to the business of the Company and which was effected during the current or immediately preceding financial year or remains in any respect outstanding or unperformed.

5.9 No loans or guarantees have been granted or provided to or for the benefit of any of the Directors by the Company which have not been repaid or released as at the date of this document.

5.10 The total aggregate remuneration paid and the benefits in kind including pension contributions granted to the Directors during the financial year ended 30 November 1999 was £Nil. The corresponding figure for the Directors for the financial year ending 30 November 2000 based on arrangements described in this document is estimated to be approximately £80,000.

5.11 The Company's promoters are, or may be considered to be, Dr Kim Tan and Dr Hong-Hoi Ting. No payments or other benefits have been paid, issued or given to the Company's promoters within the two years immediately preceding the date of this document which have been paid, issued or given to such promoter in his capacity as such.

5.12 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver or emoluments during the financial year immediately preceding the date of this document.

6. Substantial Shareholders

6.1 As far as the Directors are aware, on Admission the following persons (excluding the directors) will be interested directly or indirectly in 3 per cent. or more of the issued share capital of GeneMedix.

Shareholder	No. of Ordinary Shares held before Admission	% of issued share capital before Admission	No. of Ordinary Shares following Admission	% of issued share capital following Admission
Shanghai Institute of Biochemistry	31,424,990	11.75%	31,401,434	10.84%
C C Toh	11,695,500	4.36%	11,695,500	4.04%
Cheapside Nominees Limited	9,439,410	3.53%	9,439,410	3.26%

6.2 Save as disclosed in paragraphs 5.4 and 6.1 above, so far as the Directors are aware, there is no person who, directly or indirectly, jointly or severally exercises or could exercise control over GeneMedix or who is interested in 3 per cent. or more of the Company's issued share capital.

6.3 No loans or guarantees have been granted or provided to or for the benefit of any of the shareholders detailed in paragraph 6.1 above by the Company which have not been repaid or released as at the date of this document.

7. Employee Share Options and Schemes

7.1 Each of the following employees of the Company has entered into an individual option agreement (for each of which the consideration was £1) with the Company as follows:

Employee	Date of grant	No. of Ordinary Shares under option	Exercise price (£)	Exercise period
Paul Edwards	10/12/1999	235,941	0.0424	10/12/1999 – 10/12/2009
	10/12/1999	2,123,469	0.0424	10/12/2002 – 10/12/2009
Tony Gasson	13/01/2000	44,250	0.0424	11/10/2000 – 11/01/2010
	13/01/2000	398,250	0.0424	13/01/2002 – 13/01/2010
Kishor Modha	13/01/2000	132,750	0.0424	13/01/2002 – 13/01/2010
	14/05/2000	150,000	0.6333	14/05/2002 – 14/05/2010
Jackie Turnbull	14/05/2000	240,000	0.6333	14/05/2003 – 14/05/2010
	14/05/2000	45,000	0.6333	14/08/2000 – 14/05/2010
John Greenwood	14/05/2000	84,000	0.6333	14/08/2000 – 14/05/2010
	14/05/2000	336,000	0.6333	14/05/2003 – 14/05/2010
Richard Barker	17/05/2000	60,000	0.6167	17/08/2000 – 17/05/2010
	17/05/2000	240,000	0.6167	17/05/2003 – 17/05/2010
Annemarie Adams	31/07/2000	7,500	1.1000	31/10/2000 – 31/07/2010
	31/07/2000	67,500	1.1000	31/07/2003 – 31/07/2010
Julian Attfield	16/10/2000	375,000	0.90	16/10/2003 – 16/10/2010

Each such option will lapse six months following the option holder ceasing to be a director or employee of any Group company, save in the case of death. Each such option contains provisions *inter alia* accelerating the right to exercise in the case of a take-over offer for the Company becoming unconditional. Each option holder can be addressed care of the Company's registered office.

7.2 The Company Share Option Plan (the "Plan")

7.2.1 The Plan is a discretionary share option scheme which will not be approved by the Inland Revenue.

7.2.2 Options to acquire Ordinary Shares may be granted at the discretion of the Directors with the approval of the Remuneration Committee of the Board of Directors (the "Remuneration Committee") to any full time or part time employee of the Company or any Participating Company, including any executive director required to devote 25 hours or more a week to working for the Company. Participation in the Scheme is entirely separate from and does not affect the terms and conditions of employment of any Eligible Employee.

7.2.3 The Plan is subject to the following overall limits on the number of Ordinary Shares which may be acquired by subscription:

(a) on any date, the aggregate number of Ordinary Shares which may be issued on the exercise of options granted under the Plan or any other discretionary share option scheme (other than savings-related schemes) during any period of 10 years from the date of adoption of the Plan shall not exceed 5 per cent. of the number of Ordinary Shares in issue on that date;

(b) on any date, the aggregate number of Ordinary Shares which may be issued on the exercise of options granted under the Plan may not, when added to the number of Ordinary Shares placed under option pursuant to any employee share scheme during the period of 10 years from the date of adoption of the Plan, exceed 10 per cent. of the number of Ordinary Shares in issue on that date.

For the purposes of the above limits, no account will be taken of options which have lapsed or been released, surrendered or cancelled.

7.2.4 The Remuneration Committee shall grant options by resolution and issue option certificates as soon as practicable after making such resolution. The date of grant of an option is the date on which the Directors issue an option certificate. The form of the option certificate shall be determined by the Directors and shall specify the number of shares comprised in the option, the date of grant, any performance condition and the exercise price.

7.2.5 Any employee to whom an option is granted may renounce such option by giving written notice within 30 days after its date of grant. Options renounced in this way shall be deemed never to have been granted.

7.2.6 The option price shall not be less than the market value of an Ordinary Share in the Company on the relevant date except when Ordinary Shares are subscribed when the option price shall not be less than the higher of the nominal value of an Ordinary Share in the Company and the market value of an Ordinary Share. The exercise price and the number of Ordinary Shares subject to an option may be adjusted in the event of a rights issue, capitalisation issue, share split, consolidation of shares or reduction of capital of the Company subject to (save in the case of a capitalisation issue) the written confirmation of the auditors that such adjustment is fair and reasonable.

7.2.7 In normal circumstances, options may be exercised at any time between the third and tenth anniversaries of their date of grant or such other dates as the Directors may specify, provided that the option holder is an employee or director of the Company or any Participating Company and any attached performance conditions have been satisfied.

7.2.8 Performance conditions may be set by the Directors acting on the recommendation of the Remuneration Committee. The Directors may vary the performance condition if, in their reasonable opinion, this will result in a fairer measure of the performance of the job of the option holder, will ensure the Plan incentivises employees more effectively and will be no more difficult to satisfy than the original performance condition.

7.2.9 Options will become exercisable on the death of a participant or on the option holder ceasing to be an eligible employee by reason of injury, disability, sickness or redundancy, irrespective of any attached performance condition and, in the case of retirement or the sale or transfer out of the GeneMedix Group of the Company, business or that part of the business to which the option holder's employment relates, provided that the performance condition has been satisfied.

7.2.10 When an option holder ceases to be employed in circumstances other than those mentioned above, options will cease to be exercisable on the date he leaves employment within the Group unless the Directors so permit.

7.2.11 Rights of exercise arise on a change of control of the Company, subject to satisfaction of any performance condition, and in the event of a scheme of reconstruction or amalgamation, a voluntary arrangement being proposed or a resolution for voluntary winding-up of the Company.

7.2.12 Options will lapse if they are not exercised within 10 years of their date of grant or if the option holder ceases to be employed in circumstances mentioned in 10 above, unless the Directors so permit.

7.2.13 The Plan provides for the following:

(a) Shares issued pursuant to the Plan will rank *pari passu* in all respects with the shares already then in issue except that they will not rank for rights attaching to shares by reference to a record date falling prior to the date of issue;

(b) Options are non-transferable; and

(c) On a change of control of the Company following a general offer, options may, with the consent of the company acquiring control of the Company, be released in consideration for the grant of equivalent rights over the shares of the acquiring company or another company. The rights are equivalent if, broadly, the total market value of the shares under both the old and new options and the total exercise price of each option are, on the date of exchange, equal.

7.2.14 The Plan will be administered by the Board, which may amend the same by resolution. The prior approval of shareholders in general meeting will be required for certain amendments to the advantage of participants. Shareholder approval is not required for minor alterations to take account of proposed or existing legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment of the Company or any subsidiary or option holder. The consent of a majority of option holders will be required for any alterations or additions to their disadvantage.

7.2.15 The option holder must reimburse the Company for any PAYE or National Insurance Contributions (in the case of employer's National Insurance Contributions to the extent permitted by law only) within 21 days of the date on which the option is exercised.

7.2.16 The Scheme may be terminated at any time by resolution of the Board or by the Company in general meeting and shall in any event terminate on the tenth anniversary of the commencement date. Termination shall not affect outstanding rights of participants.

8. Litigation

Neither the Company nor SDB is engaged at the date of this document nor has either the Company or SDB in the 12 months prior to the date hereof been involved in any legal or arbitration proceedings which may have or have had a significant effect on either the Company's or SDB's financial position or are any such proceedings pending or threatened by or against either the Company or SDB.

9. Working Capital

The Company considers that, taking into account the net proceeds of the Placings receivable by the Company, the Company and the Group each have sufficient working capital for their present requirements, that is for at least the next 12 months.

10. Premises

The following is a summary of the principal establishments from which the Company and SDB operate:

Address	Tenure	Site Area	Principal Terms of Lease
First Floor, Waterwitch House Exeter Road, Newmarket Suffolk, CB8 8RX	Leasehold	1,400 square feet	Term of years from 6 October 1998 to 6 January 2003, current rent £12,000 per annum
No. A3-6 Land Block Zhang Jiang High-Tech Park, Pudong Shanghai, China	Land use certificate*	Manufacturing facility 3,900 square metres Office accommodation 1,096 square metres	Expires in December 2013

*The land use certificate has not yet been issued to SDB. However, SDB has entered into an agreement to purchase these land use rights from the Zhang Jiang Hi-Tech Park Development Co. Ltd., further details of which are set out in paragraph 11.8 of Part 7.

11. Material Contracts

The following contracts (not being entered into in the ordinary course of business) have been entered into by the Company or SDB within a two year period immediately preceding the date of this document and are or may be material (or contain provisions under which the Company or SDB has any obligation or entitlement which is material to the Company or SDB):

11.1 The Company entered into an exclusive licence agreement with TranXenoGen, Inc. effective 25 February 2000. Under the terms of this agreement, the Company granted TranXenoGen, Inc. an exclusive worldwide licence with the right to sublicense certain proprietary technologies relating to a pre-cursor gene used in recombinant insulin production. This agreement obliges TranXenoGen, Inc. to use reasonable efforts to enable it to conduct a clinical development and regulatory programme which will govern clinical and regulatory activities and other key elements necessary to obtain regulatory and marketing approvals for products licensed under this agreement and to develop products using the licensed technology and introduce such products into the marketplace. However, prior to approval in each applicable region, a number of events must occur, to which, *inter alia*, the following risk factors apply:

(i) the licensed technology may prove not to be effective in the transgenic animals;

(ii) TranXenoGen may decide to cease the development of particular processes and products using the licensed technology; and

(iii) regulatory authorities may fail to grant approval to products produced via this technology.

In addition, TranXenoGen, Inc. is required to make one time payments to the Company based on the region where the approval is granted. If approval is granted in the United States, Europe or Asia the total fees would be $2 million, $2 million and $1 million respectively. In addition, TranXenoGen, Inc. is

required to make one-time payments from $50,000 to $750,000 to the Company upon development milestones being met or achieved by TranXenoGen, Inc. TranXenoGen, Inc. has the right to terminate this agreement with ninety days notice for three years from the effective date. This agreement shall continue in effect until the later of the expiration of all issued patents or, if no patents have been issued, ten years.

Dr K S Tan is a shareholder and is now, but was not at the date of this agreement, the non-executive chairman of TranXenoGen, Inc.

11.2 The Company entered into the licence agreement with SIB dated 8 April 1999 (as amended on 8 November 2000) (the "SIB Agreement"). Under the terms of the SIB Agreement, SIB granted to the Company a worldwide, exclusive (but non-exclusive in China) royalty free licence (with the right to sub-licence) to certain cell lines under the intellectual property and know-how owned by SIB in consideration for the allotment of 33,333 ordinary shares of £1 each in the share capital of the Company. The licence entitles GeneMedix to develop, make, have made, use and sell products which use or are derived from such cell lines or fall within, or use, the relevant know-how and intellectual property. In addition, SIB agrees to carry out a research and development project on behalf of the Company in respect of various other cell lines, the intellectual property and know-how arising from which would fall within the license grant. The Company is obliged, at its own cost and expense, to file, prosecute, maintain and enforce patent applications on any inventions which may arise during the term of the SIB Agreement and which relate to the subject matter of the license grant and the research project being carried out by SIB. Of the 33,333 ordinary shares of £1 each, 22,667 ordinary shares of £1 each (equivalent to 40,120,590 Ordinary Shares) were allotted to SIB and 10,666 ordinary shares of £1 each (equivalent to 18,878,820 Ordinary Shares) were allotted to Dr Ting upon the direction of SIB.

11.3 The Company entered into a share transfer agreement with ShenglongDa and SDB and a joint venture agreement with ShenglongDa relating to the acquisition of 75 per cent. of the share capital of SDB on 9 November 2000. Under the terms of these agreements, the Company will acquire 75 per cent. of the shares in SDB, subject to receipt of a certificate of approval of the acquisition from the Chinese government and a new business licence for SDB, at a price equal to RMB 66.72 million (£5.30 million) from ShenglongDa. The payment of the consideration is deferred until such certificate of approval and business licence is received. Having already received project approval for the acquisition from the Chinese government, the Directors do not anticipate any difficulties in obtaining this certificate of approval and business licence. As part of the RMB 66.72 million consideration for the SDB acquisition, the Company has issued loan notes constituted by a loan note instrument entered into by the Company on 9 November 2000 to ShenglongDa to the value of RMB 45.62 million. These loan notes are redeemable no later than 60 days after the issue of the new business licence to SDB, at the option of ShenglongDa, either by a cash payment of 45.62 million RMB (£3.62 million) or by the issue at a price equal to 95 per cent. of the Placing Price of 4,241,393 new Ordinary Shares (assuming an exchange rate of RMB 12.58 = £1). The balance of the consideration is payable in cash. If the Company fails to pay any part of the consideration, the Company's shareholding will be reduced proportionately through a transfer of shares back to ShenglongDa. Following completion of the acquisition, the Company has agreed to invest a further RMB 18 million (£1.43 million), and ShenglongDa a further RMB 6 million (£0.47 million), in SDB. The share transfer agreement contains warranties from ShenglongDa and SDB and indemnities from ShenglongDa, both in favour of GeneMedix in respect *inter alia* of authority to conduct business, condition of the assets and extent of current and past liabilities. The agreement contains no terms limiting the quantum or time periods under the warranties and indemnities.

The management of SDB will be conducted by a board of directors, the majority of whom shall be selected by the Company. The articles of association of SDB include pre-emption rights on the transfer of shares and provide that certain matters, including alterations to the articles of association and increases in share capital, must be approved by the unanimous consent of the board of directors and that, unless otherwise agreed by ShenglongDa or GeneMedix, the effective business term of the Company is 20 years.

11.4 The Company entered into a manufacturing agreement with SDB on 10 November 2000 (the "Manufacturing Agreement") pursuant to which SDB will manufacture and supply to the Company the products described in the Manufacturing Agreement (currently GM-CSF only) to the GMP standards notified by the Company from time to time for sale in all countries of the world including China. The first product to be manufactured and supplied by SDB under the Manufacturing Agreement will be GM-CSF but it is envisaged that the scope of the Manufacturing Agreement will be expanded to cover other products. The Company will pay an agreed price for all quantities of GM-CSF supplied by SDB at a price to be agreed between the parties. The Manufacturing Agreement will run for five years and will be automatically renewed for further periods of five years unless terminated by the Company. Either party may terminate the Manufacturing Agreement upon the breach or insolvency of the other.

11.5 The Company entered into a services and intellectual property licence agreement with SDB on 15 November 2000 (the "Services Agreement"). Under the terms of the Services Agreement the Company will provide to SDB, for a fee, certain services, know how and assistance relating, among other things, to the manufacture of the products being manufactured by SDB under the terms of the Manufacturing Agreement. In addition the Company has granted to SDB a non-exclusive royalty free licence under all intellectual property owned by or licensed to the Company before and after the date of the Services Agreement in order to allow SDB to meet its obligations under the Manufacturing Agreement. Any intellectual property created by SDB during the term of the Services Agreement will be owned by the Company but will be licensed back to SDB as described in the previous sentence. The Services Agreement will run for five years and will be automatically renewed for further periods of five years unless terminated by the Company. Either party may terminate the Services Agreement upon the breach or insolvency of the other.

11.6 Placing Agreements

11.6.1 *The UK Placing Agreement*

In connection with the UK Placing, the Company, the Directors, English Trust, Collins Stewart and Eastgate Investments Limited ("Eastgate") have entered into a conditional agreement dated 24 November 2000 ("the UK Placing Agreement") whereby Collins Stewart have undertaken to use its reasonable endeavours to procure subscribers and purchasers for 32,000 Existing Ordinary Shares and 14,422,222 New Ordinary Shares at the Placing Price and failing which to subscribe therefor itself. Under the agreement, commissions totalling 3 per cent. of a sum equal to the total subscription price of the UK Subscription Shares are to be paid by the Company to Collins Stewart and commissions totalling 3 per cent. of the Placing Price for each of the Sale Shares for which Collins Stewart has arranged purchasers shall be paid by the Eastgate, Mr Mylchreest and Dr Ting to Collins Stewart. Further fees of £150,000 and £25,000 will be paid to English Trust and Collins Stewart respectively in respect of their roles in relation to the application for Admission. The agreement contains representations, warranties and undertakings given by the Company, the Directors and Eastgate to English Trust and Collins Stewart, indemnities given by the Company to Collins Stewart and English Trust, and also contains provisions entitling Collins Stewart to terminate its obligations thereunder in certain circumstances prior to Admission. Under these arrangements, Collins Stewart have, subject to certain conditions, procured placees, pursuant to placing letters and the confirmations issued in response thereto, who have undertaken to subscribe for all the UK Subscription Shares and to purchase all the Sale Shares being sold by Eastgate and others.

In addition, each of the Directors has undertaken not to sell or otherwise dispose of any interest he has in the share capital of the Company (which totals 28,897,230 Ordinary Shares, representing 10.0 per cent. of the issued Ordinary Shares upon Admission and in respect of each Director are detailed in paragraph 5.4 of Part 7) immediately following the UK Placing for a period from the date of Admission until the date on which revenue derived from the sale of products manufactured by the Group is first received by the Company or the expiry of eighteen months from Admission (whichever is the earlier) ("the Lock in Period") without the prior consent of English Trust and Collins Stewart (except in certain specified circumstances). Eastgate Investments Limited has also undertaken not to sell or otherwise dispose of its interest it has in the share capital of the Company immediately following the UK Placing

comprising 155,406,111 Ordinary Shares (representing 53.7 per cent. of the issued Ordinary Shares at Admission) during the Lock-in Period without the prior written consent of English Trust and Collins Stewart (except in certain specified circumstances). The Directors and Eastgate Investments Limited have also undertaken that for a period from the date of Admission until the expiry of 12 months from the end of the Lock-in Period, they will only effect disposals of Ordinary Shares through Collins Stewart.

11.6.2 *The Singapore Placing Agreement*

In connection with the Singapore Placing, the Company, the Directors and OUB have entered into a conditional management and placement agreement dated 24 November 2000 (the "Singapore Placing Agreement"), pursuant to which OUB has agreed to manage the Singapore Placing and to subscribe and/or procure subscribers for the Singapore Placing Shares. OUB will receive a management fee from the Company for its services rendered in connection with the Singapore Placing and a placement commission and brokerage totalling 2 per cent. of the Placing Price.

The agreement contains various warranties and undertakings given by the Company and the Directors to OUB, indemnities given by the Company to OUB and also contains provisions entitling OUB to terminate its obligations thereunder in certain circumstances prior to Admission.

The Singapore Placing Agreement is conditional upon *inter alia*:

(a) the UK Placing Agreement having become unconditional in all respects and not having been terminated or rescinded pursuant to the provisions thereof;

(b) admission of the Ordinary Shares to the Official List of the UK Listing Authority not later than 8.00 a.m. on 30 November 2000 or such later time or date as the Company and OUB may agree in writing;

(c) the approval in principle from the SGX-ST for the listing of the Ordinary Shares on the Official List of the SGX-ST being given and not being withdrawn prior to Admission.

In the event the Singapore Placing Agreement is terminated the Singapore Placing will be cancelled.

11.6.3 The Company and Collins Stewart have entered into a sale agreement dated 24 November with SIB whereby Collins Stewart has, conditional *inter alia* on Admission, agreed to procure placees for 23,556 Existing Ordinary Shares held by SIB at the Placing Price and failing which has itself agreed to purchase such shares.

11.6.4 The Company, English Trust and Collins Stewart have entered into agreements dated 24 November 2000 with SIB and Mr Jin Si-Sheng pursuant to which SIB and Mr Jin Si-Sheng agree that, save in certain specified circumstances, they will not dispose of their current holdings of Existing Ordinary Shares (being 31,401,434 Ordinary Shares (representing 10.8% per cent. of the issued Ordinary Shares on Admission) and 8,200,600 Ordinary Shares (representing 2.83% per cent. of the issued Ordinary Shares on Admission) respectively) for a period from the date of Admission until the date on which revenue derived from the sale of products manufactured by the Group is first received by the Company or the expiry of eighteen months from the date of Admission whichever is the earlier without the consent of and that, during that period, they thereafter will only dispose of any of their Existing Ordinary Shares through Collins Stewart so as to maintain an orderly market in the Company's shares.

11.7 The Employee Option Agreements, details of which are set out in paragraph 7 of this Part 7

11.8 SDB has entered into a land use right purchase contract dated 22 December 1997 with Shanghai Zhangjiang Hi-tech Park Development Co. Ltd. ("the Transferor"), pursuant to which the Transferor agreed to transfer the land use rights to a piece of land in Shanghai Zhangjiang Hi-tech Park to the Company for a price of RMB 4,200,000 payable in four instalments. The land use rights will expire 16 years after the date of the contract. As at the date of this document SDB has made all payments and the transfer form has been signed by the Transferor and lodged for registration with the relevant land registry. Following registration a land use certificate will be issued to SDB.

11.9 The Company entered into a sponsor's agreement dated 24 November 2000 with English Trust under which English Trust has agreed to act as sponsor and financial adviser to the Company in respect of Admission, the UK Placing and thereafter. In connection with its appointment as sponsor, the Company

has agreed to pay English Trust a fee of £25,000 (exclusive of VAT) per annum as well as its reasonable expenses. The Sponsor's Agreement contains various warranties, undertakings and indemnities given by the Company in favour of English Trust.

The Sponsor's Agreement may be terminated by English Trust both prior to Admission or thereafter in certain circumstances, including if there has been a material breach of any of the warranties or undertakings contained in the Sponsor's Agreement.

11.10 *The Company entered into a placing agreement with English Trust on 12 July 2000. Under the terms of* this agreement, English Trust agreed as agent for the Company to use its reasonable endeavours to procure subscribers for up to a total of 2,000,000 Ordinary Shares at a price of 200p per share. In addition to the Company reimbursing English Trust for expenses incurred in relation to this placing, the Company paid English Trust a fee of £16,800 being 0.5 per cent. of the placing price multiplied by the number of shares placed. The agreement contains warranties and indemnities given by the Company to English Trust.

11.11 The Company has entered into a controlling shareholder agreement dated 24 November 2000 with Kim Tan and Eastgate (the "Controlling Shareholder Agreement") pursuant to which Kim Tan and Eastgate have each agreed not to engage in any activity which competes with the business operations of the Group, to exercise the voting rights attached to the Ordinary Shares held by each of them and, with respect to Kim Tan, attached to his position as a Director so as to maintain the independence of the Board, not to exercise such voting rights with respect to any transactions, dealings or relationships between the Company and Kim Tan or Eastgate, or otherwise involving any of them or any Group company and Kim Tan's or their associates (as defined by paragraph 11.1(d) of the UK Listing Rules) ("Related Transactions") or with respect to any transactions, dealings or relationships in which Kim Tan or Eastgate or any of their associates has a material interest, and to use all reasonable endeavours to procure that each of their respective associates complies with the same obligations. In addition, the Company, Eastgate and Kim Tan have agreed to use all reasonable endeavours to ensure that any Related Transactions are conducted at arm's length and on a normal commercial basis, and to ensure the independence of the Board. The Controlling Shareholder Agreement remains in force so long as Kim Tan and Eastgate, together with their associates, remain a controlling shareholder (as defined by paragraph 3.13 of the UK Listing Rules) of the Company.

12. United Kingdom Taxation

The comments are intended as a general guide to the position under the current law and practice *in the UK and may not apply to certain classes of shareholders. Any person who is in any doubt* as to his tax position, or who is subject to tax in a jurisdiction other than the UK should consult his own professional adviser.

The following information, which sets out the taxation treatment for holders of Ordinary Shares, is based on the law and practice currently in force in the United Kingdom. The information is not exhaustive and *if shareholders are in any doubt as to their taxation position, they should consult their professional* adviser. Shareholders should note that the levels and bases of, and relief from, taxation may change and that changes may alter the benefits of investment in the Company.

No tax is withheld from dividend payments by the Company.

Advance Corporation Tax ("ACT") was abolished from 6 April 1999 by the Finance Act 1998. The Company will not, therefore, be required to account to the Inland Revenue for ACT on dividends paid after that date. For individual shareholders resident in the United Kingdom for tax purposes, the tax credit associated with such dividends will be one ninth of the cash received, and the aggregate of the dividend and credit will form the individual's top slice of income. The tax credit will satisfy the whole of the lower or basic rate liability but higher rate tax payers will be liable to pay income tax at the rate of 32.5 per cent. on the total of the dividend and tax credit. The tax credit will be available to be offset against this liability, with the effect that the after tax dividend income will for lower, basic and higher rate tax payers be the same as under pre 6 April 1999 rules. The tax income will for lower, basic and higher

rate tax payers be the same as under pre 6 April 1999 rules. The tax credit cannot, however, be reclaimed from the Inland Revenue where the tax credit exceeds the tax liability of a United Kingdom resident individual, unless, for a limited period, the shares are held in an ISA or a PEP.

For dividends paid to trustees of UK resident discretionary or accumulation trusts the gross dividend will be subject to UK income tax at a rate of 25 per cent. with a non-refundable tax credit equal to 10 per cent. of the gross dividend.

The amount of the tax credit in respect of a dividend paid, which constitutes income of a pension fund, charity or venture capital trust, will not be repaid. Special transitional rates will apply to charities to compensate them, on a phased basis, for the loss of repayable tax credits.

Non-resident shareholders may be subject to tax on dividend income under any law to which they are subject outside the UK. Non-resident shareholders should consult their own tax advisers on the possible application of such provisions, the procedure for claiming payment and what relief or credit may be claimed for such tax credit.

A corporate shareholder (other than a share dealer) resident for tax purposes in the United Kingdom will not generally be liable to United Kingdom corporation tax on any dividend received.

The Company has been advised that the issue and allotment of the Placing Shares by the Company pursuant to the Placing will not give rise to a charge to the placees for stamp duty or stamp duty reserve tax.

The conveyance or transfer on sale of Ordinary Shares following the Placing will be subject to stamp duty at the rate of 0.5 per cent. (rounded up to the nearest £5) of the amount or value of consideration. Where an agreement to purchase Ordinary Shares is not completed by a duly stamped transfer in favour of the purchase under the agreement, a charge for stamp duty reserve tax (at the same rate) may arise.

To the extent that a holder of ordinary shares subsequently disposes of those ordinary shares, liability to UK taxation on chargeable gains may arise depending upon individual circumstances.

13. General

13.1 Bridgehead and Gill, Jennings & Every have each given, and have not withdrawn, their written consent to the issue of this document, with the inclusion herein of their reports, the references to such reports and to their names in the form and the context in which they appear, and have authorised the contents of those parts of this document as contain their respective reports for the purposes of section 152(1)(e) of the Financial Services Act 1986.

13.2 Arthur Andersen has given and not withdrawn its written consent to the inclusion in this document of its reports set out in Part 4, its letter set out in Part 6, the references to such reports and letter and to its name in the form and context in which they appear. Arthur Andersen has authorised the contents of Part 4 and its letter in Part 6 for the purposes of section 152(1)(e) of the Financial Services Act 1986.

13.3 English Trust has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and the context in which it appears.

13.4 The expenses of, or in connection with, the Placings, which are payable by the Company are estimated to amount to approximately £1.5 million exclusive of VAT. The estimated net cash proceeds of the Placings accruing to the Company are £18.5 million.

13.5 The Placing Price of 90p per New Ordinary Share represents a premium of 89p over the nominal value of 1p per New Ordinary Share being placed under the Placings and is payable in full on application. No temporary documents of title will be issued.

13.6 Except for the acquisition of SDB there has been no significant change in the Company's financial or trading position since 31 May 2000, the date to which the latest audited interim accounts were prepared. There has been no significant change in the financial or trading position of SDB since 30 June 2000, the date to which the latest audited interim accounts were prepared.

DEFINITIONS

"UK Placing Agreement"	the conditional agreement dated 24 November 2000 and made between the Company (1), the Directors (2), English Trust (3), Collins Stewart (4), and the Selling Shareholders (5), further details of which are set out in paragraph 11.6.1 in Part 7 of this document
"UK Placing Shares"	the UK Subscription Shares and the Sale Shares
"UK Subscription Shares"	the 14,422,222 New Ordinary Shares to be issued under the UK Placing
"US" or "United States"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"$"	United States dollar
"S$"	Singapore dollar
"RMB"	Renminbi, the currency of China

An exchange rate of S$2.467=£1 has been used throughout this document unless otherwise stated.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	**Dr Kim Tan** *Non-executive Chairman* **Mr Paul Edwards** *Chief Executive* **Dr Hong-Hoi Ting** *Marketing Director Asia* **Mr Julian Attfield** *Chief Financial Officer* **Mr Gordon Mylchreest** *Non-executive Director* **Mr Fong Kwok Jen** *Non-executive Director* all of: Waterwitch House Exeter Road Newmarket Suffolk CB8 8RX, UK
Company Secretary	**Doug Armour FCIS**
Registered Office	42-46 High Street, Esher, Surrey KT10 9QY
UK Financial Adviser and Sponsor	**English Trust Company Limited** 12a Charterhouse Square, London EC1M 6NA
Singapore Manager & Placing Agent	**Overseas Union Bank Limited** 1 Raffles Place, OUB Centre, Singapore 048616
Solicitors to the Company	**CMS Cameron McKenna** Mitre House, 160 Aldersgate Street, London EC1A 4DD
London Stockbroker	**Collins Stewart Limited** 21 New Street, Bishopsgate, London EC2M 4HR
Solicitors to the Issue – UK	**Eversheds** Senator House, 85 Queen Victoria Street, London EC4V 4JL
Solicitors to the Issue – Singapore	**Rajah & Tann** 4 Battery Road, #26-01 Bank of China Building, Singapore, 049908
Singapore Co-ordinator	**Millennium Securities Pte Ltd** 80 Robinson Road, #02-00, Singapore 068898
Registrars	**SLC Registrars** 42-46 High Street, Esher, Surrey, KT10 9QY
Singapore Agents	**M&C Services Private Limited** 138 Robinson Road, #17-00 Hong Leong Centre, Singapore 068906
Reporting Accountants & Auditors	**Arthur Andersen** Abbots House, Abbey Street, Reading, Berks RG1 3BD
Patent Agents	**Gill Jennings & Every** Broadgate House, 7 Eldon Road, London EC2M 7LH
Reporting Experts	**Bridgehead Technologies Limited** 37-39 Burton Street, Melton Mowbray, Leicestershire LE13 1AF
Bankers	**HSBC Bank plc** 168 High Street Guildford Surrey GU1 3YU

13.7 The auditors of the Company since its incorporation on 18 November 1997 have been Arthur Andersen, Chartered Accountants and Registered Auditors of Abbots House, Reading, Berkshire, RG1 3BD.

13.8 The accounts of the Company for the period ended 30 November 1998, the year ended 30 November 1999 and six months ended 31 May 2000 have been audited and the audit reports thereon were unqualified.

13.9 The financial information set out in this document relating to the Company and SDB does not constitute statutory accounts within the meaning of section 240 of the Act.

13.10 No Ordinary Shares are being made available to the public in conjunction with the application for Admission.

13.11 The accounts of SDB for the periods from 10 July 1997 to 30 June 2000 have been audited by Arthur Andersen and the audit reports thereon were unqualified.

13.12 The Ordinary Shares were admitted to dealing on OFEX on 25 January 2000. The mid-market prices on the last dealing day of the month and volumes traded, not adjusted for the bonus issue in October 2000 have been as follows:

	Mid-market price pence	Monthly Volume shares '000
January 2000	170	366
February 2000	303	565
March 2000	220	440
April 2000	205	95
May 2000	180	123
June 2000	250	105
July 2000	330	440
August 2000	365	527
September 2000	365	193

The Ordinary Shares were suspended from dealing on OFEX on 18 September 2000 with a mid-market price of 366p (122p after taking into account the bonus issue of October 2000) capitalising the Company at £326 million.

14. Documents for inspection

Copies of the following documents will be available for inspection at the offices of CMS Cameron McKenna, Mitre House, 160 Aldersgate Street, London EC1A 4DD during usual business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days from the date of this document:

14.1 the Memorandum and Articles of Association of the Company;

14.2 the audited accounts of the Company for the financial periods ended 30 November 1998, 30 November 1999 and 31 May 2000 and for SDB for the financial periods ended 31 December 1997, 31 December 1998, 31 December 1999 and 30 June 2000.

14.3 the accountants' reports set out in Part 4 of this document;

14.4 the reports prepared by Bridgehead and Gill, Jennings and Every set out in Parts 3 and 5 respectively of this document;

14.5 the Directors' service contracts referred to in paragraph 5.6 above;

14.6 the rules of the Share Option Plan referred to in paragraph 7 above;

14.7 the material contracts referred to in paragraph 11 above;

14.8 the letters of consent referred to in paragraph 13 above.

Dated: 24 November 2000

GLOSSARY OF SCIENTIFIC TERMS

Amino acids	Any one of a class of 20 molecules that are combined to form proteins in living things.
Antibodies	Proteins produced by certain white blood cells in response to a foreign substance.
Basophils	A type of white blood cell. Basophils are granulocytes.
Bioequivalence	Scientific basis on which generic and brand-name drugs are compared.
Biopharmaceutical	Pharmaceuticals produced using biological systems.
Cell line	A group of cells grown in defined conditions from an initially heterogenous population.
Complement proteins	A group of blood proteins that plays an important role in the immune response. Generally complement proteins amplify the effects of antibodies.
Cytokines	Small proteins or other types of molecules that are released by cells and have specific effects on other cells.
Cytotoxic drug	Drugs that are used to "kill" cancerous cells.
DNA	A linear molecule that carries the genetic information that cells need to replicate and to produce proteins.
Drug delivery company	A company that specialises in methods of targeting drugs to their site of intended action in the body.
Eosinophils	A type of white blood cell. Eosinophils are granulocytes.
Gene	A unit of inheritance; a working sub unit of DNA.
Generic	A version of a drug that is equivalent to the pioneer or brand-name drug.
Gene expression	The process by which a gene's coded information is translated into the proteins in the cell.
Glycoprotein or glycosylated protein	A protein molecule that is glycosylated, that is, has a carbohydrate sugar covalently attached.
Granulocyte	A type of white blood cell. Neutrophils, eosinophils and basophils are granulocytes.
Lymphocytes	White blood cells involved in immunological reactions.
Metastatis	The spread of cancer from one part of the body to another.
Monocytes	A type of white blood cell.
Mutated	Altered with respect to the number, arrangement or molecular sequence of it's genes.
Myeloid cells	Granulocyte and mononuclear phagocyte lineages.
Oral Hypoglycaemic agents	Substances that are administered orally to reduce blood sugar.
Orphan Drug Status	The status given to a particular drug for a particular condition which gives that drug a period of 7 years of exclusive marketing rights following the date of that drug's marketing approval.

Phagocytes	Cells which take up and break down foreign substances in the blood. They include monocytes and neutrophils.
Protein	A large complex molecule composed of amino acids.
Recombinant DNA molecule	A combination of DNA molecules of different origin that are joined using recombinant DNA technologies.
Recombinant DNA technology	Procedures used to join together DNA segments in a cell-free system (an environment outside a cell or organism).
Renal failure	The failure of the kidneys to perform their function.
RNA	A linear molecule that is part of a cell's system of transferring genetic information into the production of proteins
Therapeutic protein	A protein drug used to treat disease.
Toxicology	The study of the chemistry and physiological effects of substances and the negative effects of chemicals on cells.