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**Kinetana International Biotech Pharma Limited**  
**健諾國際生化科技藥業有限公司**  
*(incorporated in the Cayman Islands with limited liability)*

**ANNOUNCEMENT**  
**UPDATE ON THE BUSINESS OPERATIONS OF THE GROUP**

The Board announces that certain measures have been implemented to rationalise and improve the Group's overall operating efficiency.

Further to the interim results announcement for the six months ended 31 August 2003 made on 10 October 2003 (the "Announcement"), the board (the "Board") of directors (the "Directors") of Kinetana International Biotech Pharma Limited (the "Company") announces that certain measures have been implemented to rationalise and improve the Group's overall operating efficiency in November 2003. These measures involve the reallocation of the Group's internal resources by activity and location. Breakdown of the Group's workforce by activity and geographical location as stipulated in the prospectus of the Company dated 22 May 2002 (the "Prospectus") and the current workforce allocation are summarised as follows:

Activity	Number of staff as of the date of the Prospectus			Number of staff as of the date of this announcement		
	Hong Kong	Canada	Total	Hong Kong	Canada	Total
Research and development	7	8	15	2	11	13
Accounting and finance	2	1	3	2	1	4
General administration	3	2	5		1	
Business development	1	1	2	1	2	3
Total	13	12	25	5	15	20

Regarding the research and development of the Group's products, given that (i) the Group has finished developing the prototype formulas for improving the general vitality of people with different body conditions; and (ii) the new products including Garlic, Lingzhi, Cordyceps, arthritis and hair growth cream are currently at the stage of commercial formulation, the Directors consider that part of the research resources which were originally planned to be deployed in Hong Kong for research and development of the Group's products should be reallocated to Canada. The Directors confirm that the collaborative arrangements with The Hong Kong University of Science and Technology and The Chinese University of Hong Kong respectively for the treatment of liver cancer and cardiovascular diseases respectively will continue to be implemented as scheduled.

For the accounting, finance and general administration of the Group, the Directors are of the view that fewer resources are required to be deployed in the departments of: (i) accounting and finance; and (ii) general administration. The consolidation of these two departments into one single functional unit would reduce the administrative expenses and thereby enhance the overall cost effectiveness of the Group. The consolidated unit will be responsible for handling both accounting affairs and general administration matters.

Regarding the business development, the Group has endeavoured its best effort to develop its existing markets, namely the Hong Kong market and the North America market. In light of the fact that the current sluggish market conditions in Hong Kong, the Directors believe it the best interest of the Group to first develop the North America market and that an established reputation of the Group's products in North America will better strengthen the future penetration into the Asian markets, including Hong Kong and the PRC. Accordingly, sale and marketing efforts in Hong Kong will be reduced and part of the resources which were initially to be deployed to expand the Hong Kong market will be reallocated to the North America market. The Group shall continue to develop the Asian market as well as the North America market as stipulated in the Prospectus.

The Directors confirm that the measures implemented as stated above will not constitute any material changes in the Group's business as stipulated under Rules 17.25 and 19.71 of Rules Governing the Listing of Securities (the "GEM Listing Rules") of The Growth Enterprise Market ("GEM") of the Stock Exchange. As a result of the above measures, the Directors further confirm that, as at the date of this announcement, they are not aware of and has not anticipated that there is any material change in (i) the business nature of the Company; (ii) the application of net proceeds raised from the initial public offering of the Company; and (iii) the business objectives of the Company as stated in the Prospectus and that there is no material impact on the overall operations and business of the Group.

Save as disclosed above, the Directors confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Chapters 17, 19 and 20 of the GEM Listing Rules, nor is the Board aware of any matter discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules, which is or may be of a price-sensitive nature.

By order of the Board  
**Kinetana International Biotech Pharma Limited**  
**Tam Yun Kau**  
*President and Chief Executive Officer*

Hong Kong, 15 December 2003

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

*This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from the day of its posting and on the website of the Company at [www.kinetana.com](http://www.kinetana.com).*