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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)*

**(Stock code: 08031)**

### **Kinetana Group's Cell Line**

The Cell Line supplied to the Kinetana Group by an independent third party and used in the SimBioDAS® process may not have been of human origin. The Directors do not expect this to have a material impact on the business of the Kinetana Group. **Pending further clarification of the implications of the matters disclosed in this announcement, shareholders and investors should exercise caution in dealing in securities of the Company.**

It has come to the attention of the Kinetana Group that the Cell Line supplied to it by an independent third party who is not a connected person (as that term is defined in the GEM Listing Rules) of the Company and is independent of and is not connected with the Directors, chief executive, substantial shareholders or management shareholders of the Company or its subsidiaries or their respective associates and used in the SimBioDAS® process may not have been of human origin. The Directors expect this will not have a material impact on the business of the Kinetana Group for the reasons referred to below.

### **Background**

At present, the Kinetana Group's business includes the use of the cell culture portion of the SimBioDAS® technology to estimate absorption of new chemical entities and natural products, including traditional Chinese medicine, in humans using a human Cell Line. The Kinetana Group's Cell Line was

developed, in part, using the “Buret Cell Line”. At the time of acquisition in early 2001, the Kinetana Group was assured by the owner of the Buret Cell Line that it was a normal human intestinal Cell Line that could be used in research and development work in the pharmaceutical industry.

The origin of the Buret Cell Line was queried in January, 2004. A study was designed and performed by the Kinetana Group. The Company has now learned from the study’s results that the Buret Cell Line may have an origin other than human. Dr. Buret, the owner of the Cell Line, was notified about the possibility. Dr. Buret has not refuted the experimental evidence presented to him, but has indicated he is in the process of making his own investigations.

## **CONSEQUENCES**

The Kinetana Group is the owner of certain intellectual properties relating to or based upon SimBioDAS®. Should the Buret Cell Line be in fact of non-human origin, the effects of such a finding on the intellectual property relating to or based upon SimBioDAS®, presently comprising a U.S patent, a European patent and international applications pertaining thereto, and eleven trademarks, are expected to be negligible based on the fact that the Company has received advice from a law firm connected with one of its directors that intellectual property rights secured to Kinetana regarding the SimBioDAS® proprietary technology under the patent and trademark which it owns should not be adversely impacted should the Buret Cell Line be determined to be of non-human origin.

With a view to replacing the Buret Cell Line, the Kinetana Group is conducting research on several human intestinal Cell Lines.

For the fiscal year ended February 29, 2004, the Kinetana Group generated revenue amounting to approximately HK\$ 0.86 million (approximately 75% of the revenue of the Kinetana Group) using the Cell Line of the SimBioDAS® technology but it is expected to generate in future a much smaller percentage of revenues as the Kinetana Group generates revenues from sales of arthritis and hair growth products and natural sleeping aids. In addition the Directors believe that the circumstances are likely to have negligible effect on the intellectual property relating to or based upon SimBioDAS® taking account of the advice referred to above that intellectual property rights secured to Kinetana regarding the SimBioDAS® proprietary technology should not be adversely impacted should the Buret Cell Line be determined to be of non-human origin.

Regardless of the outcome of the matter, the Directors do not expect it to have a material direct impact on the Kinetana Group's operating results as a consequence. The credibility of the Kinetana Group may suffer if it is determined that the Buret Cell Line was not in fact a human Cell Line regardless of the fact that the Kinetana Group accepted in good faith that it was. The Kinetana Group is considering steps available to it including but not limited to legal action to recover damages that the Kinetana Group may suffer as a result and is in consultation with legal advisers.

The Directors confirm that this announcement was made at the earliest opportunity.

### **BOARD COMMITTEE**

The Directors have appointed a committee consisting of two independent directors: Dr. Albert Chan, Mr. Paul Chan, and two non-executive directors: Dr. Tony Noujaim and Mr. David Tam to investigate these matters further.

**Pending further clarification of the implications of the matters disclosed in this announcement, shareholders and investors should exercise caution in dealing in securities of the Company.**

The Company will make further announcements as and when appropriate.

### **DIRECTORS**

The Directors of the Company at the date of this announcement are:

Executive Directors: Dr. Yun K. Tam and Mr. Patrick Young.

Non-executive Directors: Dr. Antoine A. Noujaim, Mr. Chiu Kang Lee, Mr. David Tam and Mr. Yeung Sui Leung.

Independent non-executive Directors: Mr. Mo Po Chan and Dr. Albert Wai-Kit Chan.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Buret Cell Line”	a human Cell Line isolated and characterised by Dr. Buret which was originally intended to be used for studying human small intestine wall cell functions and was cultured by the Kinetana Group in specific conditions as the Kinetana Cell for prediction of human absorption of drug and natural products, including traditional Chinese medicine;
“Cell Line”	a population of cells of a particular type able to divide indefinitely in culture;
“Company”	Kinetana International Biotech Pharma Limited (健諾國際生化科技藥業有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM;
“Director(s)”	the director(s) of the Company;
“Dr. Buret”	André G. Buret, the inventor of the Buret Cell Line, who is not a connected person (as that term is defined in the GEM Listing Rules) of the Company and independent of and is not connected with the Directors, chief executive, substantial shareholders or management shareholders of the Company or its subsidiaries or their respective associates;
“GEM”	the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Kinetana Cell”	the Cell Line developed by the Kinetana Group by culturing the Buret Cell Line in specific conditions for use in its SimBioDAS <sup>®</sup> system;
“Kinetana Group”	the Company and its subsidiaries;
“SimBioDAS <sup>®</sup> ”	the trademark for the Group’s patented in vitro screening system for use in drug development;
“subsidiary(ies)”	subsidiary(ies) within the meaning of the GEM Listing Rules; and
“US\$”	United States Dollars, the lawful currency of the United States of America.

This announcement is made by the Company in compliance with Rule 17.10 of the GEM Listing Rules.

By Order of the Board  
**KINETANA INTERNATIONAL  
BIOTECH PHARMA LIMITED**  
**Tam Yun Kau**

*President and Chief Executive Officer*

Hong Kong, 18th May, 2004

*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).*