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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: 8031)

Kinetana Group's Cell Line

The Independent Board Committee established by the board of Directors to investigate possible wrong doings within the Kinetana Group after scientists of the Kinetana Group found out that the Buret Cell Line may not have been of human origin found no fraud or misconduct on the part of the management or staff of Kinetana with respect to their work on the Buret Cell Line. Kinetana is currently seeking legal advice.

This announcement is made further to the Company's announcements of 18th May, 2004 and 1st September, 2004 and is intended to update shareholders about the report of the Independent Board Committee which has been established by the board of Directors to investigate potential wrong doings within the Kinetana Group after scientists of the Kinetana Group found out that 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 Independent Board Committee has delivered its report to the full board. Due to legal constraints and in order not to prejudice the Company's position this announcement does not contain all relevant information. The Directors believe that sufficient information has been provided and that the omission of those findings of the Report not summarised in this announcement does not render it misleading.

PRINCIPAL FINDINGS

In summary, the Independent Board Committee found no fraud or misconduct on the part of the management or staff of Kinetana with respect to their work on the Buret Cell Line. Notwithstanding a lack of fraud or misconduct on the part of Kinetana, the Independent Board Committee felt that more due diligence was required with respect to the Buret Cell Line notwithstanding the additional costs associated with the investigation and verification of the Cell Line. The Independent Board Committee also felt that the issue could have been reported to the Board of Directors more promptly than in fact occurred but its report makes no mention of failure of systems and controls.

The Independent Board Committee also recommended that independent legal advice be obtained. The Kinetana Group has consulted with legal counsel in North America and is considering the steps available to it including, but not limited to, legal action to recover damages that the Kinetana Group may have suffered as a result of this matter.

The Independent Board Committee has recommended that:

- The Company reviews its quality assurance procedures.
- The Company should seek independent legal advice on how to proceed.

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 because of this matter and is in consultation with legal advisers. The Company will make further announcements as and when appropriate.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisted of two independent directors: Dr. Chan Wai Kit, Albert, Mr. Chan Mo Po, Paul and two non-executive directors: Dr. Antoine A. Noujaim and Mr. Tam Shong-Tak, David. Dr. Antoine A. Noujaim resigned as announced on 15th September, 2004 and Dr. Chan Wai Kit, Albert resigned as announced on 30th September, 2004 after the major shareholder of the Company sold its stake to Neurolink Limited, as announced on 1st September, 2004. Mr. Chan Mo Po, Paul and Mr. Tam Shong-Tak, David had agreed to remain on the Board until the annual general meeting of the Company held on 23rd November, 2004, but did not stand for re-election.

DIRECTORS

At the date of this announcement, the executive directors are Dr. Tam Yun Kau, Mr. Leung Yiu Cho Henry and Mr. Foo Young Yer and the independent non-executive directors are Mr. Chan Francis Ping Kuen, Mr. To Christopher and Mr. Hsu Shiu Foo, William.

DEFINITIONS

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

“Buret Cell Line” a Cell Line 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;
“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;
“Independent Board Committee”	the committee of the board appointed to investigate and report on the allegation that 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;
“Kinetana Group”	the Company and its subsidiaries within the meaning of the GEM Listing Rules;
“SimBioDAS®”	the trademark for the Group’s patented in vitro screening system for use in drug development.

By Order of the Board
Kinetana International Biotech Pharma Limited
Dr. Tam Yun Kau
Director

Hong Kong, 10th December, 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 of Hong Kong Limited 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.