



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)

Third Quarterly Report 2004

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Kinetana International Biotech Pharma Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to Kinetana International Biotech Pharma Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover of the Group for the nine months ended 30 November 2004 was approximately HK\$837,000 as compared to approximately HK\$1,074,000 for the corresponding period in the previous fiscal year.
- Net loss of the Group for the nine months ended 30 November 2004 was approximately HK\$12.95 million as compared to approximately HK\$20.54 million for the corresponding period in the previous fiscal year.
- Loss per share of the Group was approximately HK\$0.0249 for the nine months ended 30 November 2004 and HK\$0.0394 for the corresponding period in the previous fiscal year.
- The Board does not recommend the payment of any dividend for the nine months ended 30 November 2004.

UNAUDITED THIRD QUARTERLY RESULTS

The Board of Directors (the “Board”) of Kinetana International Biotech Pharma Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and nine months ended 30 November 2004, together with the unaudited consolidated results for the corresponding periods in 2003, are as follows:-

	<i>Notes</i>	Three months ended 30 November		Nine months ended 30 November	
		2004 Unaudited <i>HK\$'000</i>	2003 Unaudited <i>HK\$'000</i>	2004 Unaudited <i>HK\$'000</i>	2003 Unaudited <i>HK\$'000</i>
TURNOVER	3	164	803	837	1,074
Cost of sales		(27)	(27)	(256)	(111)
Gross profit		137	776	581	963
Other revenue, net		90	154	327	535
Selling and distribution costs		(292)	(27)	(2,140)	(601)
Administrative expenses		(2,051)	(4,395)	(8,248)	(13,745)
Research and development expenses		(460)	(1,602)	(1,753)	(5,187)
Other operating expenses, net		(733)	(763)	(1,655)	(2,392)
LOSS FROM OPERATING ACTIVITIES		(3,309)	(5,857)	(12,888)	(20,427)
Finance costs		(16)	(40)	(65)	(118)
Share of loss of a jointly-controlled entity		–	17	–	8
LOSS BEFORE TAX		(3,325)	(5,880)	(12,953)	(20,537)
Tax	4	–	–	–	–
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(3,325)	(5,880)	(12,953)	(20,537)
LOSS PER SHARE – Basic (HK\$)	5	(0.0064)	(0.0113)	(0.0249)	(0.0394)

NOTES TO THE UNAUDITED THIRD QUARTERLY RESULTS

1. Basis of presentation

The unaudited financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under historical cost convention.

2. Basis of preparation and principal accounting policies

The basis of preparation and principal accounting policies adopted for the preparation of these unaudited consolidated results are consistent with those used in the preparation of the Group's audited financial statements for the year ended 29 February 2004.

3. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, together with a proportion of revenue from laboratory testing services rendered and consultancy service income from marketing of herbal products.

An analysis of the Group's turnover is as follows:-

	Three months ended 30 November		Nine months ended 30 November	
	2004	2003	2004	2003
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Absorption screening services rendered	-	725	-	849
Laboratory testing services rendered	27	-	27	-
Sale of herbal products	37	78	710	225
Consultancy service income	100	-	100	-
	<u>164</u>	<u>803</u>	<u>837</u>	<u>1,074</u>

4. Tax

In accordance with the relevant tax legislation, rules and regulations, interpretations and practices in Hong Kong and Alberta, Canada, no provision for Hong Kong profits tax or overseas income tax has been made for the three months and nine months ended 30 November 2004 and the corresponding periods in 2003 as the Group had no assessable profits arising in Hong Kong and overseas.

5. Loss per share

The calculation of basic loss per share for the three months and nine months ended 30 November 2004 is based on the net loss from ordinary activities attributable to shareholders for the three months and nine months ended 30 November 2004 of approximately HK\$3,325,000 and HK\$12,953,000, respectively (three months and nine months ended 30 November 2003: HK\$5,880,000 and HK\$20,537,000, respectively), and the weighted average of 521,048,170 (three months and nine months ended 30 November 2003: 520,760,211 and 520,602,221 ordinary shares, respectively) ordinary shares in issue during the periods.

Diluted loss per share amounts for the three months and nine months ended 30 November 2004 and 30 November 2003 have not been shown as the share options of the Company and share options and warrants of Kinetana Group Inc. ("KGI"), a wholly-owned subsidiary of the Company, which can be exchanged for ordinary shares of the Company when exercised, which were outstanding during the three months and nine months ended 30 November 2004 and 30 November 2003, had anti-dilutive effects on the respective basic loss per share.

6. Dividend

The Board does not recommend the payment of any dividend for the three months and nine months ended 30 November 2004 (three months and nine months ended 30 November 2003: Nil).

7. Movement of reserves

	Share premium account Unaudited <i>HK\$'000</i>	Contributed surplus account Unaudited <i>HK\$'000</i>	Exchange fluctuation reserve Unaudited <i>HK\$'000</i>	Accumulated losses Unaudited <i>HK\$'000</i>	Total Unaudited <i>HK\$'000</i>
At 1 March 2004	60,217	35,590	513	(66,449)	29,871
Net gains not recognised in the profit and loss account -					
Exchange realignment	-	-	1,706	-	1,706
Loss for the period	-	-	-	(12,953)	(12,953)
At 30 November 2004	<u>60,217</u>	<u>35,590</u>	<u>2,219</u>	<u>(79,402)</u>	<u>18,624</u>
At 1 March 2003	60,147	35,590	(639)	(38,405)	56,693
Net gains not recognised in the profit and loss account -					
Exchange realignment	-	-	1,477	-	1,477
Issue of shares	70	-	-	-	70
Loss for the period	-	-	-	(20,537)	(20,537)
At 30 November 2003	<u>60,217</u>	<u>35,590</u>	<u>838</u>	<u>(58,942)</u>	<u>37,703</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

The Board announces the Group's unaudited consolidated results for the nine months ended 30 November 2004. The Group recorded a turnover of approximately HK\$837,000 for the nine months ended 30 November 2004 which represents service income of approximately HK\$127,000 and sales of the Group's own products of approximately HK\$710,000. The turnover for the nine months ended 30 November 2003 was approximately HK\$1,074,000.

For the nine months ended 30 November 2004, the Group incurred a net loss attributable to shareholders of approximately HK\$12.95 million as compared to approximately HK\$20.54 million for the corresponding period in 2003.

Prospects

Business Development

The Group has launched its herbal products, namely Arthroxin™ and Somamax™ during the nine months ended 30 November 2004. However, the Group encountered disputes with a distributor in the United States and sales of these products were affected. The Group is currently seeking legal opinion on this matter. For details, please refer to the section "Contingent liabilities" of this report.

Following a change of substantial shareholder and the composition of the Board, the Directors are of the view that the Asian markets are of greater potential and have decided to gradually allocate more of the Group's resources to these markets. In addition, the Group is moving ahead to source for developed products instead of developing new products through its wholly-owned subsidiary, Jalinee Life Products Limited ("Jalinee") which focuses on pets wellness market. Jalinee has sourced a developed product which is a herbal health supplement for dogs and it has acquired the right to market this product. The product is planned to be distributed to Hong Kong, the Southeast Asia markets and Taiwan in the near future.

The Group is also conducting feasibility studies on several other products targeting both human and pets and expects some products to roll out in this year.

Product Launch

Jalinee will launch the herbal health supplement for dogs in January 2005. The product is of all natural herbal contents and will be one of the first herbal products for dogs in the market. The launch will be firstly targeted in Hong Kong. It will then be launched to other countries in the Southeast Asia and Taiwan in the next few months.

CONTINGENT LIABILITIES

Licensed Cell Line

It has come to the attention of the Company that the cell line (the “Licensed Cell Line”) used in the SimBioDAS® process to estimate absorption of new chemical entities and natural products may not have been of human origin. The Licensed Cell Line was developed and supplied by a third party. At the time of acquisition, the Group was assured by the owner of the Licensed 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 Group is the owner of certain intellectual properties relating to or based upon SimBioDAS®. Should the Licensed 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® are expected to be negligible and to have no material impact on the Group’s operating results as a consequence, except that the credibility of the Group may suffer if it is determined that the Licensed Cell Line was not in fact of human origin. The Group is considering steps available to it including but not limited to legal action to recover damages that the Group may suffer as a result and is in consultation with its legal advisors.

As at 30 November 2004, no claim of damages or litigation in connection with this event has been made against the Company or the Group. However, a multi-national pharmaceutical company with whom the company had contracted with to evaluate the Licensed Cell Line has requested for refund of certain sums of money paid pursuant to the agreement and for the retraction of the resultant published article. This matter has been turned over to the Company’s intellectual property counsel for further action. The Company has made announcements to the public on 18 May 2004 and 10 December 2004 in respect of this matter.

Dispute with a U.S. distributor

A subsidiary of the Company, Kinetana U.S.A. Corp. (“Kinetana US”) has paid monthly reimbursement to a distributor in the United States to introduce the Company’s products - Arthroxin™ and Somamax™ to the market in early 2004. Kinetana US signed a security agreement and promissory note on 18 August 2004 with the distributor in respect of the expenses incurred by the distributor prior to the finalization of a formal distribution agreement, which amounted to US\$27,341.74. The amount was subsequently settled in September 2004.

As Kinetana US and the distributor could not agree on the terms of the distribution arrangement, Kinetana US notified the distributor that starting from October 2004, the business relationship would be put on hold. However, the distributor continuously sent invoices to Kinetana US claiming a total amount of US\$188,295.84 of incurred expenses. Kinetana US disagrees with the amount and the amount is in dispute.

On 30 December 2004, the distributor filed a summons and complaint in the Superior Court of the State of California for the Orange County in the United States for, inter alia, the outstanding amount in dispute together with damages and legal costs incurred. The Company is currently seeking legal opinion in relation to this matter.

COMPETING INTEREST

None of the directors or the management shareholders (as defined in The Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”)) of the Company or their respective associates had any interest in any business, which competes or may compete with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND OPTIONS

As at 30 November 2004, the interests or short positions of the directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, were as follows:

Name of Director	Notes	Interests in shares				Interests in underlying shares pursuant to				% of the Company's issued share capital
		Personal interest	Family interest	Corporate interest	Total interest in shares	KIBP pre-IPO Options	Exchange for KGI pre-IPO Options	Share Option Scheme	Aggregate interest	
						Note (c)	Note (d)	Note (e)		
Dr. Tam Yun Kau	(a)	-	500,000	-	500,000	-	-	-	-	0.10
Mr. Young Chiu Kit, Patrick	(b)	-	-	-	-	1,222,841	440,223	5,200,000	6,863,064	1.32
Mr. Tam Shong-Tak, David	(b)	-	-	-	-	1,222,841	-	5,200,000	6,422,841	1.23
Mr. Chan Mo Po, Paul	(b)	-	-	-	-	1,222,841	-	520,000	1,742,841	0.33

Notes:

- (a) The family interest of Dr. Tam Yun Kau in the shares of the Company is held by Dr. Tam-Zaman Nuzhat, the wife of Dr. Tam Yun Kau.
- (b) Directors retired at the annual general meeting of the Company held on 23 November 2004.

(c) KIBP pre-IPO Options

The Company conditionally adopted a pre-IPO share option scheme (the “KIBP Pre-IPO Share Option Scheme”) on 7 May 2002. A summary of the principal terms of the KIBP Pre-IPO Share Option Scheme is set out in the subsection headed “Pre-IPO Share Option Schemes-(a) KIBP Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus. As at 30 November 2004, the following directors of the Company were granted or interested in the following options under the KIBP Pre-IPO Share Option Scheme:

Name of Director	Notes	Number of share options interested as at			Date of grant	Exercise period	Exercise price HK\$
		1 March 2004	Lapsed	30 November 2004			
Dr. Tam Yun Kau	(i), (iv)	12,228,409	12,228,409	–	07/05/02	03/12/02 to 03/12/07	0.325
	(i), (iv)	6,114,204	6,114,204	–	07/05/02	03/06/03 to 03/06/08	0.325
	(i), (iv)	6,114,205	6,114,205	–	07/05/02	03/06/04 to 03/06/09	0.325
	(ii), (iv)	733,705	733,705	–	09/05/02	03/12/02 to 03/12/07	0.325
Mr. Young Chiu Kit, Patrick	(i), (v)	1,222,841	–	1,222,841	15/05/02	03/12/02 to 03/12/07	0.325
Dr. Antoine A. Noujaim	(vi)	1,222,841	1,222,841	–	07/05/02	03/12/02 to 03/12/07	0.325
Mr. Lee Chiu Kang	(vi)	1,222,841	1,222,841	–	07/05/02	03/12/02 to 03/12/07	0.325
Mr. Tam Shong-Tak, David	(i), (v)	1,222,841	–	1,222,841	07/05/02	03/12/02 to 03/12/07	0.325
Mr. Chan Mo Po, Paul	(i), (v)	1,222,841	–	1,222,841	07/05/02	03/12/02 to 03/12/07	0.325

Notes:

- (i) The above options are personally held by Directors.
- (ii) The 733,705 options are held by Dr. Tam-Zaman Nuzhat, the wife of Dr. Tam Yun Kau.
- (iii) All the above-mentioned options are unlisted and represent physically settled equity derivatives.
- (iv) Pursuant to a sale and purchase agreement with a third party, Dr. Tam Yun Kau has unconditionally and irrevocably waived all his rights in all outstanding options granted to him. For details of the sale and purchase agreement, refer to the Company’s announcement on 1 September 2004.
- (v) Directors retired at the annual general meeting of the Company held on 23 November 2004.
- (vi) Directors resigned on 15 September 2004.

(d) KGI pre-IPO Options

KGI, a wholly owned subsidiary of the Company, adopted a pre-IPO share option plan (the “KGI Share Option Plan”) on 20 March 2000 (as amended on 31 March 2000 and 5 November 2001). A summary of the principal terms of the KGI Share Option Plan is set out in the subsection headed “Pre-IPO Share Option Schemes-(b) KGI Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus.

Pursuant to a conditional share exchange offer made on 5 November 2001 by, among other parties, the Company (as supplemented by two letters dated 27 February 2002 and 28 March 2002) and accepted by each holder of options under the KGI Share Option Plan and warrants of KGI (the “Exchange Agreement”), each such holder, among other things, agreed to exchange common shares of KGI which would be issued and allotted pursuant to the exercise of options in KGI on the basis of one common share of KGI for approximately 24.45 Shares of the Company.

As at 30 November 2004, the following directors of the Company were conditionally granted or interested in the following options under the KGI Share Option Plan (as supplemented by the Exchange Agreement):

Name of Director	Notes	Number of KGI share options interests as at		Number of shares exchanged for pursuant to the Exchange Agreement	Date of grant	Exercise period pursuant to the Exchange Agreement	Exercise price CAN\$	
		1 March 2004	30 November 2004					
Dr. Tam Yun Kau	(i), (iv)	8,000	8,000	-	-	31/03/00	03/12/02 to 31/03/05	0.5
	(ii), (iv)	70,000	70,000	-	-	01/07/01	03/12/02 to 01/07/06	0.5
	(ii), (iv)	70,000	70,000	-	-	19/12/01	03/12/02 to 19/12/06	0.5
Mr. Young Chiu Kit, Patrick	(i), (v)	18,000	-	18,000	440,223	31/03/00	03/12/02 to 31/03/05	0.5
Dr. Antoine A. Noujaim	(i), (vi)	11,000	11,000	-	-	31/03/00	03/12/02 to 31/03/05	0.5

Notes:

- (i) Directors personally hold the above options.
- (ii) The 140,000 options referred to above are held by Dr. Tam-Zaman Nuzhat, the wife of Dr. Tam Yun Kau.
- (iii) All the above-mentioned options are unlisted and represent physically settled equity derivatives.
- (iv) Pursuant to a sale and purchase agreement with a third party, Dr. Tam Yun Kau has unconditionally and irrevocably waived all his rights in all outstanding options granted to him. For details of the sale and purchase agreement, refer to the Company’s announcement on 1 September 2004.
- (v) Director retired at the annual general meeting of the Company held on 23 November 2004.
- (vi) Director resigned on 15 September 2004.

(e) Share Option Scheme

The Company adopted a share option scheme (the “Share Option Scheme”) on 7 May 2002 the principal terms of which are set out in the note 26 to the financial statements as included in the annual report of the Company for the year ended 29 February 2004.

As at 30 November 2004, options to subscribe for an aggregate of 18,200,000 shares of the Company had been granted or agreed to be granted to the following directors under the Share Option Scheme. Details are as follows:-

Name of Director	Notes	Number of Options interested as at			Date of grant	Exercise period	Exercise price HK\$
		1 March 2004	Lapsed	30 November 2004			
Dr. Tam Yun Kau	(i), (iii)	260,000	260,000	–	10/10/03	10/01/04 to 09/10/13	0.071
		260,000	260,000	–	10/10/03	10/04/04 to 09/10/13	0.071
Mr. Yeung Sui Leung	(i), (iv)	260,000	260,000	–	10/10/03	10/01/04 to 09/10/13	0.071
		260,000	260,000	–	10/10/03	10/04/04 to 09/10/13	0.071
Mr. Young Chiu Kit, Patrick	(i), (vi)	2,600,000	–	2,600,000	10/10/03	10/01/04 to 09/10/13	0.071
		2,600,000	–	2,600,000	10/10/03	10/04/04 to 09/10/13	0.071
Mr. Chan Mo Po, Paul	(i), (vi)	260,000	–	260,000	10/10/03	10/01/04 to 09/10/13	0.071
		260,000	–	260,000	10/10/03	10/04/04 to 09/10/13	0.071
Dr. Antoine A. Noujaim	(i), (iv)	260,000	260,000	–	10/10/03	10/01/04 to 09/10/13	0.071
		260,000	260,000	–	10/10/03	10/04/04 to 09/10/13	0.071
Mr. Lee Chiu Kang	(i), (iv)	2,600,000	2,600,000	–	10/10/03	10/01/04 to 09/10/13	0.071
		2,600,000	2,600,000	–	10/10/03	10/04/04 to 09/10/13	0.071
Dr. Chan Wai Kit, Albert	(i), (v)	260,000	260,000	–	10/10/03	10/01/04 to 09/10/13	0.071
		260,000	260,000	–	10/10/03	10/04/04 to 09/10/13	0.071
Mr. Tam Shong-Tak, David	(i), (vi)	2,600,000	–	2,600,000	10/10/03	10/01/04 to 09/10/13	0.071
		2,600,000	–	2,600,000	10/10/03	10/04/04 to 09/10/13	0.071

Notes:

- (i) Directors personally hold the above options.
- (ii) All the above-mentioned options are unlisted and represent physically settled equity derivatives.
- (iii) Pursuant to a sale and purchase agreement with a third party, Dr. Tam Yun Kau has unconditionally and irrevocably waived all his rights in all outstanding options granted to him. For details of the sale and purchase agreement, refer to the Company's announcement on 1 September 2004.
- (iv) Directors resigned on 15 September 2004.
- (v) Director resigned on 30 September 2004.
- (vi) Directors retired at the annual general meeting of the Company held on 23 November 2004.

Save as disclosed above, as at 30 November 2004, none of the directors or their associates as well as the chief executive of the Group had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules. During the reporting period, there were no debt securities issued by the Group at any time.

SUBSTANTIAL SHAREHOLDERS

As at 30 November 2004, the following persons (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of Shareholder	Notes	Interests in shares	Interests in underlying shares pursuant to				% of the Company's issued share capital
			The Exchange Agreement		Share Option Scheme	Aggregate interest	
KIBP pre-IPO Options	for KGI pre-IPO Options						
Neurolink Limited	(a)	140,749,015	-	-	-	140,749,015	27.01
Grand Interest Development Limited	(b)	30,815,591	-	-	-	30,815,591	5.91

Notes:

- (a) Neurolink Limited is an investment holding company incorporated in the British Virgin Islands and wholly-owned by Mr. Lee Kingson Wai-nung.
- (b) Mr. Yeung Sui Leung, a director of the Company who resigned on 15 September 2004, holds approximately 16.67% equity interest in Grand Interest Development Limited.
- (c) All the above-mentioned options are unlisted and represent physically settled equity derivatives.

Save as disclosed above, as at 30 November 2004, there was no person (other than a director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) on 7 May 2002 the principal terms of which are set out in the note 26 to the financial statements as included in the annual report of the Company for the year ended 29 February 2004.

As at 30 November 2004, options to subscribe for an aggregate of 2,550,000 shares of the Company had been granted or agreed to be granted to the Company’s employees under the Share Option Scheme. Details are as follows:-

Number of employees	Number of options interest			Date of grant	Exercise period	Exercise price HK\$
	As at 1 March 2004	Lapsed	As at 30 November 2004			
6	3,100,000	550,000	2,550,000	27/05/03	27/05/03 to 27/05/13	0.071

SPONSOR’S INTEREST

As updated and notified by Hantec Capital Limited (the “Sponsor”), neither the Sponsor nor its directors, employees or associates (as referred to in note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company or of any member of the Group, or had any right to subscribe for or to nominate persons to subscribe for the securities of the Company or of any member of the Group as at 30 November 2004.

Pursuant to a sponsor agreement dated 14 March 2003 entered into between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company’s sponsor for the period from 20 March 2003 to 28 February 2005.

COMPLIANCE WITH RULES 5.29 TO 5.39 OF THE GEM LISTING RULES

In the opinion of the directors, the Company had complied with the board practices and procedures as set out in Rules 5.29 to 5.39 of the GEM Listing Rules throughout the accounting period covered by the quarterly report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the nine months ended 30 November 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the "A Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and, in the opinion of the directors, complied with Rules 5.23 to 5.24 as set out in Chapter 5 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 3 June 2002. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee consists of three independent non-executive directors, Mr. Chan Francis Ping Kuen, Mr. To Christopher and Mr. Hsu Shiu Foo, William. Mr. Chan Francis Ping Kuen is the chairman of the audit committee. The Group's unaudited consolidated financial statements for the nine months ended 30 November 2004 have been reviewed by the audit committee, who was of the opinion that the preparation of such financial statements complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made.

By order of the Board
Kinetana International Biotech Pharma Limited
Leung Yiu Cho Henry
Director

Hong Kong, 13 January 2005

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