

Chairman's Statement



In my letter a year ago, I reported to you how the company had strived through the storm and swiftly moved in realigning the genomic business units and our bold step to invest in the development and commercialization of oral insulin. This year, I am proud to tell you about our encouraging progress in the oral insulin clinical trials.

Diabetes affects millions of people worldwide. There are two types of diabetic patients. Type 1 is insulin-dependent. Type 2 is non-insulin dependent and is more common, which accounted for about 90-95% of all diabetic patients. Medical researches indicated that the early use of insulin for type 2 patients can result in better monitoring on blood glucose levels and delay the progression of the disease.

Results of our phase I clinical trial indicated a clear success. The progress data for the phase II clinical trial demonstrated that oral insulin has no sign of side effects, acts to lower glucose level and shows the capability to stabilize or reduce the blood glucose level. Our clinical trials have been performing well and are currently approaching the end of phase II clinical trial.

We have extended the sample size and duration of our phase II clinical trial for establishing more persuasive and reliable results, in order to obtain the new drug certificate as soon as possible.

Technology advancements and research and development progress are difficult to be measured in one-year increment and they are often complicated to be benchmarked by accounting numbers. Nevertheless, we will never neglect the importance of our sustained investment in those areas with potentials and growth.

Acquisition, capital expenditures and research and development activities often harbor risks because of the related uncertainties. We control and mitigate the business risks by relying on our accumulated experiences, exercising industry insight and employing expertise to make judgment. Furthermore, we address our operating risk by exercising due diligence, closely monitoring the progress of our research and development activities, investigating whether budgets can be adhered to, whether original expectation can be met, and whether additional financial or technological risks are likely to emerge.



With this challenging year behind us, we now place our effort on our future development. The main growth area is our oral insulin production progress. I am convinced that this engine would provide tremendous growth, profit and cash flow contributions in the coming years.

We will continue to focus on our core competency and invest in high growth potential products. We will optimize our resource allocation and improve efficiency persistently.

Our progress and achievement would not have realised and fulfilled without my dedicated executive team and our committed staff. I would like to express my gratitude to all of my dedicated colleagues and our business partners for their continuous and perpetual support.

Dr. Mao Yu Min

Chairman

Hong Kong, 26 July 2005