



CHAIRMAN'S STATEMENT

On behalf of the board of directors ("Board of Directors") of Long Far Pharmaceutical Holdings Limited (the "Company"), I am pleased to present the annual report and audited accounts of the Company and its subsidiary (the "Group") for the year ended 31 March 2004.

The year under review was an exceptional year for Hong Kong. The outbreak of Severe Acute Respiratory Syndrome ("SARS") created devastating effects on the local economy, particularly the retail market. Although there were patchy signs of economic improvements after the SARS episode subsided, the economy as a whole has yet to experience a full-scale recovery.

The Group's sales performance was also inevitably affected by the adverse market condition. However, we did not compromise in pursuing our business goals. During the year, we made several important corporate moves. We completed our acquisition of 楚雄雁塔藥業有限責任公司 (Chuxiong Yanta Pharmaceutical Company Limited) which is now known as Yunnan Long Far Pharmaceutical Company Limited ("Yunnan Long Far"), formally securing for the GMP, a manufacturing base which has obtained the Certificate of Good Manufacturing Practices for Pharmaceutical Products ("GMP Certificate"). The acquisition not only presents us with significant cost advantages, but also plays a strategic role in our long-term business growth. We also partnered with CUCAMed Company Limited in the research and development of an effective Chinese medicinal formula for relieving symptoms of allergic rhinitis. Satisfactory progress has been made and it is believed that it will allow us to capture new market opportunities.

In the second half of the financial year, we launched a series of new products, which have gotten off to a very encouraging start. In addition, we also saw an expanded presence in the Southeast Asian market. These results show that our diversification strategy is bearing fruit and the diversification is important in ensuring our long-term growth.

OUTLOOK

Looking ahead, competition in health food products is expected to remain keen. The Chinese Medicine Council of Hong Kong ("CMCHK") of the Department of Health implemented a registration system for proprietary Chinese medicines since 19 December 2003 in order to assure the safety, quality and efficacy of proprietary Chinese medicines. All proprietary Chinese medicines manufactured, processed, imported, re-exported or sold in Hong Kong should apply for registration with the CMCHK's Chinese Medicines Board ("CMB"). The Group has submitted the necessary documents to register its products and is expecting a positive reply from the CMB. The Directors believe that the registration system will enhance customers' confidence in using proprietary Chinese medicines and guide the healthy development of the industry as poor quality products will be eliminated from the market. Despite that, the Group is committed to achieving longevity by maintaining the highest product quality and customer satisfaction. At the same time, we will seek to enhance our research and development capabilities through identifying suitable partnership opportunities. We believe these persistent initiatives, supported by our established brand name 「龍發製藥」(Long Far) will continue to be our formula for attaining better performance.



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APPRECIATION

I would like to thank all members of the Board for their guidance and the committed efforts of our staff throughout the past year, and our customers, suppliers, business partners and shareholders for their continuous support to the Group.

Chiu Ka Leung

Chairman

Hong Kong, 15 July 2004