

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 2005.

RESULTS OF THE YEAR

The 2005 results reflected a generous turnaround from the adverse market conditions buffeted by SARS in 2003. Our satisfactory performance was underpinned by a broad based economic recovery, driven by positive consumer sentiment and waned deflationary pressure. During the year, the Group recorded a total turnover of HK\$77,070,000, an increase of 27.2% over the last year, with net profit from ordinary activities attributable to shareholders rising by 42.9% to HK\$4,733,000.

During the year, the turnover of the Group incorporated HK\$14,323,000 contributions from the newly acquired subsidiary, Yunnan Long Far Pharmaceutical Company Limited ("Yunnan Long Far"), which served as a gateway for the Group to tap the lucrative market in the Mainland China. With the Certificate of Good Manufacturing Practices ("GMP") of Pharmaceutical Products ("GMP Certificate") obtained in 2004, Yunnan Long Far has already launched more than 40 pharmaceutical products in many cities in the Mainland China, which led to the increased turnover of the Group in the year.

Notwithstanding the keen competition in the market of medicinal healthcare products in Hong Kong, the Group upheld the implementation of operating strategy on market penetration and product diversification, intensified its knowledge-based product promotion efforts and actively cooperated with educational institutions and consequently attained remarkable results during the year. During the year, our promotion team held 8 different scales of seminars and marketing campaigns. These endeavors have contributed to a marked enhancement of brand awareness as well as growth in turnover.

Turnover of the Group's flagship and best selling product, Beauty and Healthy (排毒美顏寶), increased 8.8% compared to the last year. As the market leader in Chinese medicine and healthcare products, the Group kept on developing new products in the market. A series of new products were successfully launched during the current year and all of them were produced in internationally recognized GMP factories and under stringent quality control and in compliance with internationally recognized GMP standard. The success enabled the Group to further expand the product profile and improve the development capacity.

OUTLOOK

Looking ahead, we expect the pharmaceutical market in Hong Kong and the Mainland China will remain challenging. The Group will continue its growth momentum by diversifying its products and expanding its markets through research and development efforts and strategic mergers and acquisitions, as well as marketing of imported effective healthcare and functional products. Moreover, the Group is of the view that it is well prepared to create a great deal of synergy from which it will make the Group a much stronger player in the competitive medicinal healthcare products market in both Hong Kong and the Mainland China.

CHAIRMAN'S STATEMENT

Our businesses aim at meeting the growing demand of high quality medicinal and healthcare products, enhancing the popularity of Chinese pharmaceuticals, benefiting people over the world, strengthening their health as a whole, as well as bringing rewarding returns to our shareholders.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my heartfelt gratitude to our customers, suppliers, business partners and shareholders for their continuous support. Last but not least, I would like to thank the staff and management for their concerted efforts in helping the Group accomplish our achievements today.

Chiu Ka Leung

Chairman

Hong Kong, 8 July 2005