



CHAIRMAN'S STATEMENT

On behalf of the board of directors ("Board") of Long Far Pharmaceutical Holdings Limited (the "Company"), I am pleased to present the annual report and audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006.

RESULTS OF THE YEAR

During the year, the Group experienced remarkable challenges as a result of continuous and severe competition among the wide range of healthcare products available in the market. During the year, the Group recorded a total turnover of HK\$57,533,000, a decrease of 25.3% compared to that of last year, with a loss attributable to ordinary equity holders of HK\$9,881,000.

The Group was aware of the growing demand of Hong Kong people for healthcare products, and the emergence of different kinds of healthcare products. In face of the keener market competition, the Group continued to implement its diversification strategy, and allocated substantial resources on brand building and marketing, which led to an increase in selling and distribution costs. Nevertheless, the success of the Group's brand building and marketing strategy brought numerous awards to the Group, including the product awards of various sizable personal care product chain stores, such as "The Superbrands Award (超級品牌大獎)", and so on, which meant the Group's leading position in the domestic healthcare product market was fully recognized.

The Group's flagship product, "Beauty and Healthy" (排毒美顏寶), continued to be the Group's best selling product, which accounted for 64.0% of the Group's total turnover. During the year under review, the Group introduced a series of new products in order to expand the market and carry out the Group's product diversification strategy.

The Mainland China and overseas markets are enormous in size, nevertheless their modes of market operation are rapidly changing. In order to cater to the market trend and achieve more efficient use of resources, the Group realigned its marketing strategies and adjusted the pace of market expansion during the year and as such, businesses in such markets did not make significant contribution to the Group during the year.

OUTLOOK

Looking ahead, the Group expects that competition in local healthcare product market will be getting severe. Riding on the Group's leading position and abundant experience in the market, the Group will further implement product diversification and market penetration operating strategies, and proactively identify investment opportunities, so as to expand its business to more overseas markets.

The Group is committed to educating the public about healthier lifestyles, popularizing the Group's healthcare products in every household. In addition, the Group will realign its marketing strategy with an aim to implement stringent cost control, so as to deliver higher return to shareholders.

APPRECIATION

On behalf of the Board, 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 to accomplish our achievements today.

Chiu Ka Leung

Chairman

Hong Kong, 4 July 2006