

LAIYANG JIANGBO PHARMACEUTICALS, LTD

BALANCE SHEETS
AS OF JUNE 30, 2007 AND 2006ASSETS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2005 cash flow</u>
CURRENT ASSETS:					
Cash	\$ 17,737,208	\$ 3,371,598	\$ 1,237,784	\$ 497,609	740,175
Restricted cash	8,410,740	8,432,999	3,716,546	-	3,716,546
Accounts receivable, net of allowance for doubtful accounts of \$166,696 and \$158,710 as of June 30, 2007 and 2006, respectively	11,825,442	9,758,715	2,808,330	44,890	2,763,440
Accounts receivable - related parties	498,940	413,850	387,735	179,564	208,171
Notes receivable	57,965	29,162	-	-	-
Inventories	5,130,934	6,573,362	2,762,442	292,548	2,469,894
Other receivables	23,623	2,073	5,282	28,957	(23,675)
Prepayment	313,018	232,708	483,099	999,243	(516,144)
Deferred expense	88,815	1,613,077	148,951	-	148,951
Tax prepayment	12,153	-	-	-	-
Total current assets	<u>44,098,838</u>	<u>30,427,544</u>	<u>11,550,169</u>	<u>2,042,811</u>	<u>9,507,358</u>
PLANT AND EQUIPMENT, net	<u>10,179,134</u>	<u>4,860,562</u>	<u>4,427,945</u>	<u>4,270,746</u>	157,199
OTHER ASSETS:					
Intangible assets, net of accumulated amortization	<u>1,119,087</u>	<u>1,184,843</u>	<u>1,220,885</u>	<u>5,290</u>	<u>1,215,595</u>
Total other assets	<u>1,119,087</u>	<u>1,184,843</u>	<u>1,220,885</u>	<u>5,290</u>	<u>1,215,595</u>
Total assets	<u>\$ 55,397,059</u>	<u>\$ 36,472,949</u>	<u>\$ 17,198,999</u>	<u>\$ 6,318,847</u>	<u>10,880,152</u>

See report of independent registered public accounting firm.

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 2,051,506	\$ 3,935,433	\$ 3,057,287	\$ 569,025	2,488,262
Short term bank loans	4,602,500	5,634,000	-	-	-
Notes payable	8,410,740	8,432,999	3,716,467	-	3,716,467
Other payables	1,367,052	2,071,905	2,640,991	1,987,578	653,413
Other payables - directors	-	2,456,852	2,350,271	418,306	1,931,965
Other payables - shareholders	757,531	1,397,602	1,834,688	1,748,226	86,462
Other payables - related parties	175,601	795,238	1,743,444	498,453	1,244,991
Accrued liabilities	216,468	161,558	87,504	19,157	68,347
Taxes payable	-	2,146,887	192,350	35,998	156,352
Dividend payable	10,520,000	-	-	-	-
Total current liabilities	<u>28,101,398</u>	<u>27,032,474</u>	<u>15,623,002</u>	<u>5,276,743</u>	<u>10,346,259</u>

COMMITMENTS AND CONTINGENCIES

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SHAREHOLDERS' EQUITY:

Common Stock, \$1 par value, 10,000 shares authorized, 10,000 shares issued and outstanding	10,000	10,000	10,000	10,000	-
Paid-in-capital	18,339,000	13,211,000	13,211,000	13,211,000	-
Subscription receivable	(11,000)	(11,000)	(11,000)	(11,000)	-
Capital contribution receivable	(12,000,000)	(12,000,000)	(12,000,000)	(12,000,000)	-
Retained earnings	17,653,583	7,453,497	229,588	(167,896)	397,484
Statutory reserves	2,157,637	648,667	136,409	-	136,409
Accumulated other comprehensive income	1,146,441	128,311	-	-	-
Total shareholders' equity	<u>27,295,661</u>	<u>9,440,475</u>	<u>1,575,997</u>	<u>1,042,104</u>	<u>533,893</u>
Total liabilities and shareholders' equity	<u>\$ 55,397,059</u>	<u>\$ 36,472,949</u>	<u>\$ 17,198,999</u>	<u>\$ 6,318,847</u>	<u>10,880,152</u>

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