

## LAIYANG JIANGBO PHARMACEUTICALS, LTD

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2007, 2006 AND 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 22,053,056	\$ 7,736,167	\$ 533,893
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Depreciation	364,417	255,602	198,936
Amortization of intangible assets	122,126	111,786	91,541
Bad debt expense	-	157,214	-
(Increase) decrease in assets:			
Accounts receivable	(1,534,814)	(6,945,531)	(2,763,440)
Accounts receivable - related parties	(62,599)	(12,538)	(208,171)
Notes receivables	(26,626)	(28,888)	-
Inventories	1,727,215	(3,680,020)	(2,469,894)
Other receivables	(20,889)	3,359	23,675
Prepayment	(66,821)	264,641	36,231
Deferred expense	1,563,800	(1,445,205)	(148,951)
Tax prepayment	(11,837)	-	-
Increase (decrease) in liabilities:			
Accounts payable	(2,027,968)	764,749	2,488,262
Other payables	(827,498)	(630,146)	653,413
Other payables - directors	(2,513,564)	24,766	1,931,965
Other payables - shareholders	(691,975)	(496,050)	86,462
Other payables - related parties	(642,547)	(999,216)	1,244,991
Accrued liabilities	45,567	70,348	68,347
Taxes payable	(2,157,075)	1,905,119	156,352
Net cash provided by operating activities	<u>15,291,968</u>	<u>(2,943,843)</u>	<u>1,923,612</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Additions to intangible assets	-	(34,106)	(827,223)
Additions to property and equipment	<u>(183,237)</u>	<u>(531,890)</u>	<u>(356,135)</u>
Net cash used in investing activities	<u>(183,237)</u>	<u>(565,996)</u>	<u>(1,183,358)</u>
<b>CASH FLOWS FINANCING ACTIVITIES:</b>			
Proceeds from bank loans	4,471,600	5,568,750	-
Payments for bank loans	(5,688,450)	-	-
Notes payable	(435,022)	4,544,294	3,716,467
Restricted cash	<u>435,022</u>	<u>(4,544,212)</u>	<u>(3,716,546)</u>
Net cash provided by financing activities	<u>(1,216,850)</u>	<u>5,568,832</u>	<u>(79)</u>
EFFECTS OF EXCHANGE RATE CHANGE IN CASH	<u>473,729</u>	<u>74,821</u>	<u>-</u>
INCREASE IN CASH	14,365,610	2,133,814	740,175
CASH, beginning of year	<u>3,371,598</u>	<u>1,237,784</u>	<u>497,609</u>
CASH, end of year	<u>\$ 17,737,208</u>	<u>\$ 3,371,598</u>	<u>\$ 1,237,784</u>

## Supplemental cash flow disclosure:

Income tax paid

Interest paid

## Non cash activities:

The company made prepayment for intangible assets amounting \$479,913 in 2004, and the intangible assets were received in 2005.

	17,737,208	3,371,598	1,237,784
Difference	-	-	-