

# AUDITOR'S REPORT

Our reference: (2006)YC7118  
GZICPA Ref.: 200603025230  
Date: March 31, 2006

(English version for reference only)

## To the shareholders of Guangzhou Pharmaceutical Company Limited

We have audited the Balance Sheet as at December 31, 2005, the Income Statement, the Statement of Profit Distribution, and the Statement of Cash Flows for the year then ended of Guangzhou Pharmaceutical Company Limited (Hereinafter refer to "the Company"), and the Consolidated Balance Sheet of the Company and its subsidiaries (Hereinafter refer to "the Group") as at December 31, 2005, the Group's Consolidated Income Statement, Consolidated Statement of Profit Distribution and Consolidated Statement of Cash Flows for the year then ended. The management of the Company shall be responsible for preparation of the above-mentioned statements. Our responsibility is to express an opinion on these accounting statements based on our audit.

We have planned and conducted our audit in accordance with China's Independent Auditing Standards, to obtain reasonable assurance about whether the accounting statements are free of material misstatement. Our audit includes examining evidences supporting the amounts and disclosures in the accounting statements on a sample test basis, assessing the accounting policies used and the significant accounting estimates made by the management, as well as valuating the overall presentation of the accounting statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforesaid accounting statements present fairly, in all material respects, the financial position of the Company and the Group as at December 31, 2005, and the results of operations and cash flows of the Group and the Company for the year then ended in conformity with the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises promulgated by the State.

**Guangdong Yangcheng Certified Public Accountants Co., Ltd.**

**Chinese Certified Public Accountant  
Wu Jia Li**

**Chinese Certified Public Accountant  
Ye Wei Xiang**

**Guangzhou, China**