

REPORT OF AUDITORS

信永中和
ShineWing

信永中和会计师事务所

ShineWing
certified public accountants

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TO THE SHAREHOLDERS OF
SHANDONG XINHUA PHARMACEUTICAL COMPANY LIMITED
(incorporated in the People's Republic of China with limited liability)

We have audited the balance sheets and consolidated balance sheets of Shandong Xinhua Pharmaceutical Company Limited as at 31 December 2001, its profit and loss accounts and profit distribution, and consolidated profit and loss accounts and profit distribution for 2001; and its cash flow statement and consolidated cash flow statement for 2001. These financial statements were prepared by the Company and our responsibility is to express an audit opinion on these statements. We conducted our audit in accordance with Standards for Independent Audits of PRC Certified Public Accountants. We have examined, on a test basis, the accounting records and supporting evidence, and have carried out such audit procedures as we considered necessary at the time of the audit.

In our opinion, the financial statements mentioned above present fairly, in all material respects, the financial position of the Company as at 31 December 2001, the results of its operations and cash flows for 2001, in conformity with Accounting Standards for Enterprises and Accounting Regulations of Enterprises, and on a consistent basis.

Shine Wing CPAs

Certified Public Accountants, PRC

Zhang Ke Lang Zheng

7 February 2001