

GUANGXI LING FENG PHARMACEUTICAL COMPANY LIMITED
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

3. NOTES RECEIVABLE

Notes receivable at December 31, 2005 and 2004 consist of the following:

	2005	2004
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Bank acceptance notes:		
Due June 30, 2006	\$216,857	\$ --
Due June 19, 2006	45,947	--
Due May 30, 2006 (subsequently settled)	59,526	--
Due June 30, 2005 (subsequently settled)	--	45,923
Due April 30, 2005 (subsequently settled)	--	47,846
Due March 24, 2005 (subsequently settled)	--	4,309
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Subtotal	322,330	98,078
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Note receivable from unrelated company with annum interest rate of 6.7944%:		
Due January 23, 2005	--	168,161
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Total	\$322,330	\$266,239
	=====	=====

All the bank acceptance notes were interest free.

Note receivable from unrelated company was unsecured and \$0 and \$9,949 interest income was recognized in 2005 and 2004, respectively.

4. DUE FROM/TO RELATED PARTIES

(I) Due From Related Party

RELATED PARTY	RELATIONSHIP	2005	2004
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Hezhou Qili Color Printing Co., Ltd.	Unconsolidated affiliate	\$ 111,521	\$ --
		=====	=====

(II) Due To Related Party

RELATED PARTY	RELATIONSHIP	2005	2004
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Hezhou International Hotel	Company owned by shareholder, Yu Xiaosheng	\$ --	\$ 503,570
		=====	=====

All the amounts due from/to related parties are unsecured, interest free, and have no fixed repayment terms.

For years 2005 and 2004, \$258,044 and \$377,838, respectively of advertising expenses were paid to Harbin Xiao Sheng Advertising Group, an entity owned by shareholder, Yu Xiaosheng.