



**Livzon Pharmaceutical Group Inc.**

**2013 Semi-Annual Report**

2013-45

**August 2013**

## **Section I Important Notice, Content and Interpretation**

The Board of Directors (BOD), Board of Supervisors (BOS), directors, supervisors and senior executives hereby guarantee that the data in the present report contain no false representation, misleading statements and serious omissions, and shall be severally and jointly liable for the authenticity, accuracy and completeness of the content.

All directors of the company have attended the meeting of Board of Directors examining this semi-annual report.

The company will not distribute the cash bonus, bonus shares, nor increase the reserve to share capitals.

Mr. Zhu Baoguo, Chairman of the company, Mr. An Ning, the principal in charge of accounting, and Ms. Si Yanxia, the principal of the Accounting Department hereby declare: We guarantee the authenticity and completeness of the financial statements in this semi-annual report.

The forward-looking statements such as the future plans in this semi-annual report do not constitute the actual commitments of the company to investors, and the investors should pay attention to the investment risks.

This semi-annual report is issued in Chinese and English versions. In case that there is any ambiguity in the interpretation of two versions, the Chinese version will prevail.

## Content

<b>Section I Important Notice, Content and Interpretation.....</b>	<b>2</b>
<b>Section II Brief Introduction of Company.....</b>	<b>5</b>
<b>Section III Financial Highlights.....</b>	<b>7</b>
<b>Section IV Report of the Board of Directors.....</b>	<b>10</b>
<b>Section V Important Events.....</b>	<b>23</b>
<b>Section VI. Change of Share Capital and Particulars of Shareholders.....</b>	<b>35</b>
<b>Section VII Particulars of Directors, Supervisors and Senior Executives.....</b>	<b>40</b>
<b>Section VIII Financial Report.....</b>	<b>172</b>

## Interpretation

Items to be defined	Mean	Definitions
China Securities Regulatory Commission	Mean	China Securities Regulatory Commission
Shenzhen Stock Exchange	Mean	Shenzhen Stock Exchange
The company, this company	Mean	Livzon Pharmaceutical Group Inc.
Joincare	Mean	Joincare Pharmaceutical Group Industry Co., Ltd
Tiancheng Industry	Mean	Tiancheng Industry Co., Ltd
Begol	Mean	Guangzhou Begol Trading Corporation
Haibin Pharmaceutical	Mean	Shenzhen Haibin Pharmaceutical Co., Ltd
Livzon Reagent	Mean	Zhuhai Livzon Reagent Co., Ltd
Dankang Company	Mean	Zhuhai Livzon Dankang Biotechnology Co., Ltd
Limin Pharmaceutical Co., Ltd	Mean	Limin Pharmaceutical Co., Ltd under Livzon Group
Livzon Pharmaceutical Factory	Mean	Livzon Pharmaceutical Factory under Livzon Group
Transfer from B-share to H-share	Mean	Change of listing place of domestically foreign shares and listing in the main board of Hongkong Stock Exchange and listing transaction projects in the mode of introduction
Company Law	Mean	Company Law of the People's Republic of China
Securities Law	Mean	Securities Law of the People's Republic of China
Listing Rules of Stock	Mean	Listing Rules of Shenzhen Stock Exchange (revised on 2012)
Juchao website	Mean	Juchao Information Website ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> )
Report period	Mean	January 1, 2013 – June 30, 2013
RBM Yuan, RMB 1000 Yuan, RMB 10000 Yuan and RMB 100 million Yuan	Mean	RBM Yuan, RMB 1000 Yuan, RMB 10000 Yuan and RMB 100 million Yuan

## Section II Brief Introduction of Company

### I. Brief Introduction of Company

Stock abbreviation	Livzon Group, Livzon B	Stock code	000513, 200513
Stock exchange for listing of the Company	Shenzhen Stock Exchange		
Chinese name	丽珠医药集团股份有限公司		
Chinese abbreviation (if any)	丽珠集团		
English name (if any)	LIVZON GROUP		
English abbreviation (if any)	LIVZON PHARMACEUTICAL GROUP INC.		
Legal representative	Zhu Baoguo		

### II. Contact persons and contact details

	Secretary of BOD	Representative of stock affairs
Name	Li Rucai	Wang Shuguang
Contact address	Livzon Building, No. 132, Guihua North Road, Gongbei, Zhuhai, Guangdong Province	Livzon Building, No. 132, Guihua North Road, Gongbei, Zhuhai, Guangdong Province
Telephone	(0756)8135888	(0756)8135888
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Email	lirucai2008@livzon.com.cn	wangshuguang2008@livzon.com.cn

### III. Other details

#### 1. Contact details

Have the registration address, office address, postal code, website and email of the company been changed?

Applicable  Inapplicable

There are no changes about the registration address, office address, postal code, website and email of the company in the report period. For more details, please see the 2012 annual report.

#### 2. Information disclosure and location for filing the report

Have the information disclosure and location for filing the report been changed in the report period?

Applicable  Inapplicable

There are no changes of the papers for information disclosure, website appointed by China Securities Regulatory Commission for publishing the semi-annual report and location for filing the report. For more details, please see the 2012 annual report.

### **3. Registration changes**

Have the registration details been changed in the report period?

Applicable  Inapplicable

There are no changes of the registration date and address, registration No. of enterprise legal person business license, tax registration No, and organization code, etc in the report period. For more details, please see the 2012 annual report.

### **4. Other relevant materials**

Have the other relevant materials been changed in the report period?

Applicable  Inapplicable

## Section III Financial Highlights

### I. Main financial data in the report period

Are there any retrospective adjustments or restatement of accounting data for previous reporting years due to the changes of accounting policies?

Yes  No

	In this report period	Same period in previous year	Increase or decrease compared with the same period of previous year (%)
Operating income(RMB Yuan)	2,162,261,822.40	1,884,997,175.44	14.71%
Net profit attributable to the shareholders of listed companies (RMB Yuan)	259,310,414.64	228,705,016.39	13.38%
Net profit attributable to the shareholders of listed companies after deduction of non-recurring profit and loss (RMB Yuan)	248,381,171.34	217,680,844.35	14.10%
Net cash flows from operating activities (RMB Yuan)	185,831,023.54	335,416,385.94	-44.60%
Basic profit per share (RMB Yuan/Share)	0.88	0.77	14.29%
Diluted profit per share (RMB Yuan/Share)	0.88	0.77	14.29%
Weighted average yield rate of net assets (%)	8.27%	7.86%	Up 0.41 percentage points
	End of the current period	End of the previous year	Increase or decrease compared with the end of previous year (%)
Total assets (RMB Yuan)	6,643,980,548.15	5,633,753,961.14	17.93%
Net asset attributable to the shareholders of listed companies (RMB Yuan)	3,117,420,292.03	3,008,015,808.63	3.64%

## II. Accounting Data Difference between Domestic and Overseas Accounting Standards

### 1. Net Profit and Net Asset Difference in Financial Reports disclosed in accordance with International Accounting Standard and Chinese Accounting Standard

Applicable  Inapplicable

### 2. Net Profit and Net Asset Difference in Financial Reports disclosed in accordance with Overseas Accounting Standard and Chinese Accounting Standard

Applicable  Inapplicable

### 3. Accounting Data Difference between Domestic and Overseas Accounting Standards

Applicable  Inapplicable

## III. Non-recurring profit and loss items and amounts

Unit:RMB Yuan

Item	Amount	Remarks
Profit and loss in disposal of non-current assets (including the writing-off part of withdrawn asset depreciation reserve)	325,316.11	
Governmental allowance accrued to the current profit and loss (except those that are closely related to the businesses of company, and are continuously granted based on the certain standard quota or certain quantity)	12,883,755.38	All governmental allowances received by the company and its subcompanies in the report period
Except the effective hedge business related to the normal operation business of the company, the profit and loss in the changes of fair values caused by the holding of tradable financial assets and tradable financial liabilities as well as the investment returns in disposal of tradable financial assets, tradable financial liabilities and saleable financial assets	135,791.51	
Other net non-operating income and payment except the above items	367,300.32	
Minus: Effect of income tax	2,189,657.60	
Effect of the minority of shareholders' equities (after the taxation)	593,262.42	
Total	10,929,243.30	--

For the non-recurring profit and loss items that are defined in accordance the No. 1 Explanatory Announcement about Information Disclosure of Companies Making Public Offering of Securities – Non-recurring Profit and Loss as well as the



non-recurring profit and loss items that are defined as the recurring profit and loss items in accordance the *No. 1 Explanatory Announcement about Information Disclosure of Companies Making Public Offering of Securities – Non-recurring Profit and Loss*, please explain the reasons

Applicable  Inapplicable

## Section IV Report of the Board of Directors

### I. Overview

In the report period, the company strengthens the management, comprehensively promote the refined marketing, push the good management of production, strengthen the cost control, improve the operational efficiency and a series of other measures to ensure that the company's operating performance will achieve the sustained growth; meanwhile, continue to increase the research investment, optimize the R & D platform, lay a solid foundation for achieving the company's strategic development goals.

In the report period, the Company, under the marketing approach that the company worked out at the beginning of year and focusing on the “network construction, increase the sales volume to the hospitals, customer maintenance”, strengthen the team building, strengthen the terminal examination, expand the personnel recruitment, implement the marketing initiatives as per the products, regions, teams ,and further consolidate and improve the company's marketing system, and achieve the company's objectives about key products continuing to maintain a high growth rate.

In the report period, the company continued to increase the R & D investment, optimize the R & D platform, strengthening the R & D management, ensure the smooth implementation of various research projects. In the report period, the company actively followed the application work about clinical trials of Dankang project AT132 products, as well as the registration and application work of Japanese encephalitis vaccine project, and based on feedback opinions from approval authority, timely submit the relevant supplementary materials; for other R & D projects: ilaprazole sodium injection project has obtained the clinical approval, and has completed the trial of Phase I clinical samples and Phase I clinical pilot study, the blonanserin project has completed the clinical trials and is now ready to apply for the production materials, and the remaining projects are smoothly developing in accordance with the plans. In the patent application, the company has applied for 15 patents in China, 1 PCT patent, and got 8 patents.

In the report period, the company is still focusing on the working emphasis of “guarantee the quality, and control the cost” in terms of production management. In addition to requesting all production enterprises to continue to strictly implement the quality control management measures, the quality management headquarters organized the special technical experts to perform the internal quality audit including the quality control and materials management of production enterprises under it, and appoint the key personnel to go to the secondary enterprises for giving the directions about quality technology, and solve the various quality control issues. At the same time, the company continued to promote the good production, further strengthen the comprehensive implementation of lean management system including the enhancement of target responsibility processes, on-site management and leader standardization work, effectively realize the energy saving and control the increase of production costs.

### II. Analysis of Main Business

In the report period, the company main operating results and financial positions are listed as follows:

In the first half of 2013, the company achieved the operating income of RMB 2.1622618 billion Yuan, with an increase of RMB 277.2646 million Yuan, up 14.71%; the main reason is that, the company continued to strengthen the marketing management, constantly deepen the marketing, through the implementation of market and product segmentation, intensive work, strengthen the promotions of key products, and prompt the sustained rapid growth of preparation products (such as Chinese medicine preparations, Gonadotropic hormone and digestive tract products).

In the first half of 2013, the company achieved the operating profit of RMB 308.5232 million Yuan, with an increase of RMB 26.4550 million Yuan, up 9.38%. The main reason is that, although the company's main business revenue grew dramatically, but the sales expenses and administrative expenses grew faster, so its increase rate is less than the increase rate of incomes.

In the first half of 2013, the company achieved the net assets attributable to the shareholders of parent company of RMB 259.3104 million Yuan, with an increase of RMB 30.6054 million Yuan, up 13.38%, the company achieved the net profit attributable to the shareholders of listed companies after deduction of non-recurring profit and loss of RMB 248.3812 million Yuan, with an increase of RMB 30.7004 million Yuan, up 14.10%. the main reason is that, compared with the same period of previous year, after the company acquired the equities of minority of shareholders of Limin Pharmaceutical Co., Ltd, the net assets attributable to the shareholders of parent company increased correspondingly.

In the first half of 2013, the company had the sales expenses of RMB 825.1198 million Yuan, with an increase of RMB 151.0963 million Yuan, up 22.42%. The main reason is that, due to the continuous change of sales structure, the percentage of sales volume of preparation drugs has further increased, leading to the increase of costs accordingly; the company management expenses are RMB 189.1712 million Yuan, with an increase of RMB 31.5345 million Yuan, up 20.00%. The main reason is the increase of research and development efforts and the dramatical increase of research and development expenses; at the same time, the company, while implementing the transfer project from B-shares to H-shares in the first half of year, paid part of the project costs; the finance costs are RMB -10.7968 million Yuan, with an increase of RMB 262,600 Yuan from RMB -11.0594 million Yuan, up 2.37%, which is basically consistent with the previous year.

In the first half of 2013, the company achieved the **net amount of cash flow from the operating activities** of RMB 185.8310 million Yuan, with a decrease of RMB 149.5854 million Yuan, down 44.60%. the main reasons are the increase of raw material procurement costs in the first half of year as well as the increase of salaries paid to employees; **The net amount of cash flow from the investment activities is RMB -498.5561 million Yuan**, with a decrease of RMB 85.4697 million Yuan, down 20.69%; the main reason is the increase of the payments for acquiring and constructing the fixed assets of the relocation project of new Livzon Pharmaceutical Factory under Livzon Group and Ningxia Livzon Pharmaceutical Industry Park project. **The net amount of cash flow from the investment activities is RMB 547.5165 million Yuan**, with an increase of RMB 1.0176313 billion Yuan, UP 216.46%. The main reason is the increase of all bank loans in the first half of year as well as the increase of capital contributions from the minority of shareholders; meanwhile, compared with the same period of last year, the cashes paid for debts decreased.

Changes of main financial data

Unit:RMB Yuan

	This report period	Same period in previous year	Increase or decrease (%)	Reasons for changes
Operating income	2,162,261,822.40	1,884,997,175.44	14.71%	The main reason is the increase

				of key preparation products.
Operating cost	808,839,135.50	748,752,436.28	8.02%	The main reason is the sales percentage increase of preparation products with high gross profits.
Sales expense	825,119,808.36	674,023,464.01	22.42%	The main reason is the sales volume increase of preparation products.
Management expense	189,171,222.87	157,636,704.20	20.00%	The main reason is the increase in terms of the development and investment in the transfer project from B-share to H-share.
Financial expense	-10,796,789.08	-11,059,371.29	2.37%	
Income tax expense	52,423,967.25	47,671,992.09	9.97%	
Development investment	102,990,000.00	70,361,000.00	46.37%	
Net amount of cash flow from the operating activities	185,831,023.54	335,416,385.94	-44.60%	The main reason is the increase of payments for material purchase and payment for payrolls.
Net amount of cash flow from the investment activities	-498,556,093.13	-413,086,413.87	-20.69%	The main reason is the increase of investments in all kinds of fixed assets.
Net amount of cash flow from the financing activities	547,516,524.88	-470,114,776.18	216.46%	The main reason is the increase of all kinds of bank loans and increase of share capitals invested by the minority of shareholders.
Net increase of cash and cash equivalent	233,972,167.39	-546,713,586.10	142.8%	The main reason is the increase of cash flow in the financing activities in the report period.

Details about whether there are any key changes about profit composition or sources in the report period?

Applicable  Inapplicable

There are no key changes about profit composition or sources in the report period.

Details about whether the future development and plans disclosed by the prospectus, raising booklet and report about asset reconstruction, etc continue to the report period.

Applicable  Inapplicable

There are no future development and plans disclosed by the prospectus, raising booklet and report about asset reconstruction, etc that continue to the report period.

Details about the company reviewing the development of operation plans disclosed in the previous report within the report period.

### III. Composition of main business

The company specializes in the development, production and marketing of medicine products. The main products are Bismuth Potassium Citrate Granules series, Shenqifuzheng injection, antivirus granules, Urofollitropin for Injection (follicle stimulating), Kanglineng(Cefodizime Sodium for Injection), Lifukang (voriconazole), Lizhuwei (Valaciclovir Hydrochloride Tablets), Qianlean Suppository, New Liaolilong (Divitamins Notonginseng and Cinarizine), Factive film-coated tablets (Gemifloxacin), Yili'an(Ilaprazole), Beiyi (Leuprorelin Acetate Microspheres for Injection), mouse nerve growth factor for injection and other medical preparations, as well as Mevastatin, Pravachol, Mycophenolic acid, Ceftriaxone, Cefuroxime, Cefodizime, Phenylalanine, vancomycin and some other raw-material drugs, which involve the chemical drugs, biochemical drugs, micro-ecological preparations, Chinese patent drugs, chemical raw materials, diagnostic reagents and so on, totaling hundreds of kinds of products in various medical fields. In the report period, the composition of main business is listed as follows:

Unit:RMB Yuan

	Operating Income	Operating Cost	Gross profit margin	Increase or decrease of Operating income over same period of previous year (%)	Increase or decrease of Operating Cost over same period of previous year (%)	Increase or decrease of Gross profit margin over same period of previous year (%)
<b>Profession</b>						
Western medicine preparation	788,054,616.86	206,564,256.22	73.79%	18.51%	8.02%	Up 2.55 percentage points
Including: Digestive tract	177,085,277.79	21,331,635.26	87.95%	19.24%	7.07%	Up 1.37 percentage points
Cardiac and cerebral blood vessel	72,477,673.31	17,181,393.35	76.29%	0.51%	1.83%	Down 0.31 percentage points
Antimicrobial drugs	133,415,458.61	38,257,257.31	71.32%	-7.12%	-18.65%	Up 4.06 percentage points
Gonadotropic hormone	270,853,274.68	93,290,769.53	65.56%	23.61%	19.60%	Up 1.16 percentage points
Others	134,222,932.47	36,503,200.77	72.80%	64.51%	24.14%	Up 8.84 percentage points
Chinese traditional drug preparation	791,562,122.89	161,538,367.54	79.59%	20.88%	16.94%	Up 0.69 percentage points

Raw material drugs	397,815,396.77	349,888,612.78	12.05%	-1.26%	2.52%	Down 3.25 percentage points
Diagnostic reagents and equipment	175,836,534.61	82,174,063.17	53.27%	15.4%	18.3%	Down 1.14 percentage points
<b>Product</b>						
Shenqifuzheng injection	588,984,786.21	89,815,428.22	84.75%	24.4%	40.13%	Down 1.71 percentage points
<b>Region</b>						
Northeast China	172,659,612.54			15.78%		
North China	324,821,066.13			16.6%		
Central China	250,267,164.19			16.54%		
East China	436,465,859.60			13.62%		
South China	368,532,952.10			20.93%		
Southwest China	305,749,608.80			24.97%		
Northwest China	135,659,154.45			20.2%		
Export	159,113,253.32			-14.54%		

Note: The increase of the other products in western medicine preparations in above table is mainly due to the increase of products for nerve repair drugs and psychotropic system drugs.

#### IV The analysis about core competitiveness

In the report period, the company's core competitiveness has not changed significantly, which is mainly reflected in: 1. The company has a diversified product portfolio, and the exclusive and key products has the strong market competitiveness. The company products involve the chemicals, biochemical drugs, microecological preparation, traditional Chinese medicines, chemical raw material drugs and diagnostics and other fields, with hundreds of preparation products approval documents, diversified product portfolio, which will help the company diversify market risk and ensure the company to achieve the stability of operating results. At the same time, the company has Shenqifuzheng injection, anti-virus particles and other exclusive preparation products, which maintain a high market share in the market segment; 2. The company has a comprehensive sales network and sophisticated marketing capabilities. The company has established a marketing network covering the domestic market, and establish the stable and good business relationships with the main commercial channels and thousands of hospitals. Through years of marketing reforms, the company has established a strong marketing team and efficient sales model; 3. The strong R & D capabilities and new product development capability. The company has always focused on the product development and the R & D investment increased year by year. At present, the company has many R & D teams, including the chemical preparation drugs, Chinese medicine research and development and biological agents (monoclonal antibodies and vaccines); at the same time, the company has established a long-term scientific and technological cooperation relationship with more than 30 domestic and foreign research institutions. In recent years, the company has released many new drugs, including ilaprazole coated

tablets and gemifloxacin tablets, as well as the Leuprorelin Acetate Microspheres for Injection and mouse nerve growth factor for injection with great market promotion potential.

## V. Analysis about investment status

### 1. External equity investments

#### (1) External equity investment

Applicable  Inapplicable

#### (2) Holding particulars about equities of financial enterprises

Company name	Company type	Initial investment cost (RMB Yuan)	Share-holding quantity at the beginning of period (shares)	Share-holding percentage at the beginning of period (%)	Share-holding quantity at the end of period (shares)	Share-holding percentage at the end of period (%)	Book value at the end of period (RMB Yuan)	Profit and loss in the report period (RMB Yuan)	Accounting calculation subject	Source
China Resources Bank of Zhuhai Co., Ltd	Commercial bank	95,325,760.00	84,936,000	1.5065%	84,936,000	1.5065%	75,325,760.00	-	Long-term equity investment	Share participation
Guangdong Development Bank Co., Ltd	Commercial bank	177,348.84	68,854	0.0004%	68,854	0.0004%	177,348.84	-	Long-term equity investment	Share participation

#### (3) Securities investment

Security Type	Security Code	Security abbreviation	Initial investment amount (RMB Yuan)	Holding quantity at the beginning of period (Share)	Share-holding percentage at the beginning of period (%)	Share-holding quantity at the end of period (shares)	Share-holding percentage at the end of period (%)	Book value at the end of period (RMB Yuan)	Profit and loss in the report period (RMB Yuan)	Accounting calculation subject	Source
Stock	00135	Kunlun Energy	4,267,542.24	1,500,000	-	1,000,000	-	10,960,5	-1,944,9	Tradable financial assets	Purchased from

								28.00	54.00		market
Fund	206001	Penghua Fund	150,000.00	619,573	-	619,573	-	517,281.46	-22,242.67	Tradable financial assets	Purchased from market

Shareholding particulars of other listed companies

√ Applicable □ Inapplicable

Securities code	Securities abbreviation	Initial investment capital	Percentage of total shares of this Company	Book value at the end of this period	Profit and loss during the report period	Change of owners' equity during the report period	Accounting calculation subject	Source
601328	Bank of Communications	2,450,179.00	0.00245%	6,179,029.23	-	-850,185.84	Saleable financial assets	Share participation
000963	Huadong Medicine Co., Ltd	39,851.86	0.0211%	3,648,626.15	-	77,825.15	Saleable financial assets	Share participation
Total		2,490,030.86		9,827,655.38	-	-772,360.69		

Particulars about buying or selling the shares of other listed companies in the report period

√ Applicable □ Inapplicable

Securities name	Share quantity at the beginning of period(share)	Quantity of shares bought at the report period(share)	Quantity of shares sold at the report period(share)	Share quantity at the end of period(share)	Amount of used capitals (RMB Yuan)	Amount of received capitals in selling the shares (RMB Yuan)	Investment returns (RMB Yuan)
Rainbow group	5,016,000	-	5,016,000		-	1,791,535.29	-3,937,526.19
Kunlun Energy	1,500,000	-	500,000	1,000,000	-	6,786,041.25	4,694,029.88
China National	560,000	-	560,000		-	7,244,798.89	4,676,301.74



Offshore Oil Corporation							
Baili International	428,000	-	428,000		-	5,917,239.79	3,816,136.93
Phoenix Island	2,570,317	-	2,570,317		-	8,506,360.30	-10,578,169.72
Shenzhen International	17,000,000	-	17,000,000		-	11,667,146.70	2,501,580.46
Sinotrans Shipping	260,500	-	260,500		-	441,521.00	-1,284,392.21
China Railway Engineering Group Co.	314,000	-	314,000		-	1,218,667.18	-243,762.80
China Railway Construction Corporation	114,000	-	114,000		-	849,604.86	-133,013.93
Total	27,762,817	-	26,762,817	1,000,000	-	44,422,915.26	-488,815.84

Note: for the above securities investment and securities investment in Hongkong Stock Exchange, the relevant amount of H-share market investment has been converted to RMB for calculation at the exchange rate at the end of report period. The profit and loss in the report period means the effect of this investment on consolidated net profit in this period.

## 2. Entrusted wealth management, derivative investments and entrusted loans

### (1) Entrusted wealth management

Applicable  Inapplicable

### (2) Derivative investments

Applicable  Inapplicable

### (3) Entrusted loans

Applicable  Inapplicable

## 3. Raising and use of capitals

Applicable  Inapplicable

#### 4. Analysis about main subcompanies and participating companies

Particulars about main subcompanies and participating companies

Unit:RMB Yuan

Company name	Company type	Profession	Main products or services	Registered capitals	Total assets	Net assets	Operating incomes	Operating profits	Net profits
Livzon Pharmaceutical Factory under Livzon Group	Subcompany	Pharmaceutical	Be mainly engaged in the production and sales of the products such as the chemical drugs, biochemical drugs, micro-ecological preparations, antibiotics, etc that are produced by the company.	442,109,309.13	1,650,668,503.85	1,057,506,701.20	475,734,989.31	80,516,339.74	70,663,083.69
Sichuan Guangda Pharmaceutical Co., Ltd	Subcompany	Pharmaceutical	Be mainly engaged in the development, production and sales of traditional Chinese medicines, and the main products	149,000,000.00	521,285,661.19	447,235,332.48	164,293,522.56	49,275,257.22	42,221,997.78

			include the antivirus granules and Kouyannin g infusion, etc.						
Limin Pharmace utical Co., Ltd under Livzon Group	Subcompa ny	Pharmace utical	Be mainly engaged in the production and operation of Chinese traditional medicine preparatio ns, medical raw materials and so on. The main products are Shenqifuz heng injection solution, Xueshuan ong and so on.	61,561,014 .73	664,792,70 6.31	289,551,99 9.35	198,316,47 1.00	65,252,834 .95	57,216,011 .77
Zhuhai Livzon Reagents Co., Ltd	Subcompa ny	Pharmace utical	Be mainly engaged in the production and sales of diagnostic reagents. The main products are Chlamydia	46,450,837 .00	331,436,68 0.57	202,575,56 4.06	176,193,70 4.41	35,519,436 .21	30,275,906 .43

			trachomat s antigen diagnostic reagent kit and HIV antibody diagnostic reagent kits.						
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## 5. Key products about non-raising capital investments

Unit:RMB 10000 Yuan

Project name	Total planned investment amount	Investment amount in this report period	Accumulated investment amount by the end of report period	Project progress	Project returns
Ningxia Pharmaceutical Industry Park under Livzon Group	72,400	8,612.83	68,685.74	94.87%	The project has not been completed.
Relocation project of new Livzon Pharmaceutical Factory under Livzon Group	88,723	13,700.83	77,219.83	87.03%	The project has not been completed, and has not been separately calculated.
Total	161,123	22,313.66	145,905.57	--	--

## VI. Forecast about operation performance from January to September 2013

Warning that forecasts the accumulated net profit from the beginning of year to the end of next report period may suffer from loss or have the huge changes compared with same period of previous year and reason remarks

Applicable  Inapplicable

## VII. Remarks of Board of Directors and Board of Supervisors about “non-standard auditing report” of public accountants firm during this report period

Applicable  Inapplicable

This semi-annual financial report has not been audited.

### VIII. Remarks of Board of Directors about “non-standard auditing report” in previous year

Applicable  Inapplicable

This semi-annual financial report has not been audited.

### IX Profit distribution of company in the report period

Particulars about implementation or adjustment of profit distribution plan, especially the cash bonus plan, plans about transfer from capital reserve to share capitals in the report period

Applicable  Inapplicable

In the 2012 annual Shareholders' Meeting held on June 21, 2013, the company examined and passed the *2012 Profit Distribution Plan*: Taking the total quantity of 295,721,852 shares at the end of 2012 as the base, the company will distribute the bonus of RMB 5.00 Yuan (including the tax) to all shareholders for every 10 shares. On July 12, 2013, the Company issued the 2012 bonus distribution announcement of Livzon Pharmaceutical Co., Ltd and completed the distribution of dividends of A-shares and B-shares to the A-share and B-share holders on July 17 and July 22, 2013.

### X. Plan about profit distribution and transfer from capital reserve to increased share capitals in this report period

Applicable  Inapplicable

### XI. Activities that the Company receives the investigation, communication and interview, etc. during the report period

Reception date	Reception place	Reception mode	Object type	Objects	Discussion topics and provided materials
January 7, 2013	Company office	Telephone communication	Individual	Individual investors	Inquire the company about the suspension of stocks; the company answered that the company was planning the key events and would reassume the stocks if there were any results. The company provided no written materials.
February 1, 2013	Company office	Telephone communication	Individual	Individual investors	Inquire the company about the details of transfer from B-share to H-share. The company answered in

					accordance with the announcement contents. The company provided no written materials.
March 4, 2013	Company office	Telephone communication	Individual	Individual investors	Inquire the company about the operating status and progress details of transfer from B-share to H-share. The company answered based on the actual situation. The company provided no written materials.
May 24, 2013	Floor 3 Office, Joincare Pharmaceutical Building	Local investigation	Agency	China International Capital Corporation Limited	For more details, please see the <i>Record Form Of Investor Relationship Activities of Livzon Pharmaceutical Group Inc.</i> disclosed in the website ( <a href="http://irm.cninfo.com.cn">http://irm.cninfo.com.cn</a> ) of Shenzhen Stock Exchange
May 24, 2013	Floor 3 Office, Joincare Pharmaceutical Building	Local investigation	Agency	Penghua Fund Management Co., Ltd	
May 24, 2013	Floor 3 Office, Joincare Pharmaceutical Building	Local investigation	Agency	Rongtong Fund Management Co., Ltd	
May 24, 2013	Floor 3 Office, Joincare Pharmaceutical Building	Local investigation	Agency	Bosera Asset Management Co., Ltd.	
May 24, 2013	Floor 3 Office, Joincare Pharmaceutical Building	Local investigation	Agency	Shanghai Dingfeng Asset Management Co., Ltd	
May 24, 2013	Floor 3 Office, Joincare Pharmaceutical Building	Local investigation	Agency	Harvest Fund Management Co., Ltd.	

## Section V Important Events

### (I). Company Governance

During the report period, in accordance with the requirements of the *Company Law of People's Republic of China*, *Securities Law of People's Republic of China*, *Governance Rules Of Listed Companies*, *Guidance Of Standardized Operation Of Mainboard Listed Company of Shenzhen Stock Exchange*, and normative documents related to listed companies issued by China Securities Regulatory Commission and Shenzhen Stock Exchange, the Company has strengthened the system construction, perfected the governance structure, regulated the company operation, further pushed the deepening of company governance, and enhanced the governance level of Company.

During the report period, the shareholders' meeting, Board of Directors and Board of Supervisors of the company strictly performed the management policy-making and supervision in accordance with the normative operation rules and internal systems, and the three agencies operate effectively. All special commissions under Board of Directors have performed their own responsibilities, and strengthen the policy-making capacity of Board of Directors in all fields. The operation management has established the efficient and compliant policy-making system, fully embodied the operation management function, and effectively ensure the achievement of operation objectives.

In the report period, there are no differences between the actual situation of company governance and relevant regulations of China Securities Regulatory Commission.

### II. Key lawsuits and arbitrations

Applicable  Inapplicable

### III. Suspects from media

Applicable  Inapplicable

### IV. Relevant affairs about bankruptcy and restructuring

Applicable  Inapplicable

### V. Asset transactions

#### 1. Purchase of assets

Applicable  Inapplicable

#### 2. Sales of assets

Applicable  Inapplicable

### 3. Enterprise merger

Applicable  Inapplicable

### VI. Implementation and influence of equity stimulus of company

Applicable  Inapplicable

### VII. Key associated transactions

#### 1. Associated transaction related to routine operation

Name of Associated Parties	Association relationship	Associated transaction type	Associated transaction content	Pricing principle of Associated transaction	Amount of associated transaction (RMB 10000 Yuan)	Percentage in Similar Transaction Amount (%)	Settlement mode of associated transaction	Disclosure date	Disclosure index
Zhuhai Joincare Pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Sales of commodities	Sales of finished products	Determine the market price by negotiation	0.57		Bank settlement	March 9, 2013	Announcement No: 2013-16; Announcement name: announcement about 2013 routine associated transactions of Livzon Pharmaceutical Group Inc.; publishing website: Juchao website
Guangdong Blue Treasure Pharmaceutical Co. Ltd	Associated enterprises	Sales of commodities	Sales of finished products	Determine the market price by negotiation	1,806.67	0.84%	Bank settlement		
Jiaozuo Joincare Pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Sales of commodities	Sales of raw materials	Determine the market price by negotiation	43.47	0.02%	Bank settlement		
Guangdong Blue Treasure Pharmaceutical Co. Ltd	Associated enterprises	Provision of labors	Water, electricity and power	Determine the market price by negotiation	251.73	97.64%	Bank settlement		
Zhuhai Joincare Pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Provision of labors	Water, electricity and power	Determine the market price by negotiation	6.08	2.36%	Bank settlement		



Guangdong Blue Treasure Pharmaceutical Co. Ltd	Associated enterprises	Purchase of commodities	Purchase of raw materials	Determine the market price by negotiation	120.44	0.15%	Bank settlement		
Shenzhen Haibin Pharmaceutical Co., Ltd	Subcompany of controlling shareholder	Purchase of commodities	Purchase of raw materials	Determine the market price by negotiation	410.47	0.51%	Bank settlement		
Shenzhen Taitai Gene Engineering Co., Ltd	Subcompany of controlling shareholder	Purchase of commodities	Low-value consumables	Determine the market price by negotiation	6.41	0.01%	Bank settlement		
Jiaozuo Joicare Pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Purchase of commodities	Purchase of raw materials	Determine the market price by negotiation	6,130.33	7.66%	Bank settlement		
Zhuhai Joicare Pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Lease of assets	Lease as office	Determine the market price by negotiation	22.89	13.5%	Bank settlement		
Health Pharmaceutical (China) Co., Ltd	Subcompany of controlling shareholder	Lease of assets	Lease as office	Determine the market price by negotiation	5.83	3.44%	Bank settlement		
Joicare pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Renting of assets	Rent as office	Determine the market price by negotiation	32.95	100%	Bank settlement		
Total				--	8,837.84	--	--	--	--
Details about the refunding of large-amount sales of commodities				None					
If the total amount of routine associated transactions that occur in this period is forecast, please specify the actual performance in this report period (if any)				In the report period, the routine associated transactions that occur with all associated parties do not exceed the total forecasting amount at the beginning of year.					

Reason for huge difference between transaction prices and reference market prices (if applicable)	In the report period, the prices for all associated transactions are determined in accordance with the market operation rules and fair market prices of all commodities, and there are no cases about huge price difference.
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## 2. Associated transactions about asset purchase and sales

Applicable  Inapplicable

## 3. Key associated transactions about joint external investments

Joint investors	Association relationship	Pricing principle of joint investmnet	Name of invested enterprises	Main business of invested enterprise	Registered capitals of invested enterprises (RMB 10000 Yuan)	Total assets of invested enterprises (RMB 10000 Yuan)	Net assets of invested enterprises (RMB 10000 Yuan)	Net profit of invested enterprises (RMB 10000 Yuan)
Joincare pharmaceutical Group Industry Co., Ltd	Controlling shareholder	Obtain the corresponding equities based on their respective investment amounts	Zhuhai Livzon Dankang Biotechnology Co., Ltd	Technical research and development of biological medicine products and antibody medicines	30,000.00	19,353.48	16,910.08	-1,054.81
Progress of key projects of invested enterprises under construction (if any)		<p>The projects under construction include the antibody drug GMP pilot production plant and R &amp; D labs of 17,200 square meters, so as to create the world-class antibody drug development and industrial base.</p> <p>By the end of the report period, the company has completed the pilot plant overall design, and completed the civil engineering, decontamination, public works construction, interior decoration, and has completed the large equipment FAT and the placement in place, and has obtained the approval document of the EIA.</p>						

Remarks: in the report period, the Company and Joincare increased the registered capitals of Zhuhai Livzon Dankang Biotechnology Co., Ltd by RMB100 million Yuan based on their respective shareholding proportion, and the remaining capital increase will be paid by the two parties in accordance with the Articles of Association of Zhuhai Livzon Dankang Biotechnology Co., Ltd by 30 June 2016. For more details about this capital increase, see the Associated Transaction Announcement About Increasing The Registered Capitals to Zhuhai Livzon Dankang Biotechnology Co., Ltd Jointly With The Controlling Shareholder (announcement No. :2013-27) in Juchao website.

## 4. Transfer of associated claims and debts

Are there the transfer of non-operating associated claims and debts?

Yes  No

Associated parties	Association relationship	Type of claims and debts	Formation reason	Are there the use of non-operating capitals?	Balance at the beginning of period (RMB 10000 Yuan)	Amount in this period (RMB 10000 Yuan)	Balance at the end of period (RMB 10000 Yuan)
Guangdong Blue Treasure Pharmaceutical Co. Ltd	Associated company	Receivable claims from associated parties	Sales of commodities	No	872.48	-65.63	806.85
Zhuhai Joincare Pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Receivable claims from associated parties	Sales of commodities	No	1.99	2.44	4.43
Jiaozuo Joincare Pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Receivable claims from associated parties	Sales of materials	No	-	50.86	50.86
Zhuhai Joincare Pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Receivable claims from associated parties	Renting of assets	No	2.64		2.64
Health Pharmaceutical (China) Co., Ltd	Subcompany of controlling shareholder	Receivable claims from associated parties	Renting of assets	No	-	0.83	0.83
Jiaozuo Joincare Pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Receivable claims from associated parties	Advance payments	Yes	-	14.00	14.00
Guangdong Blue Treasure Pharmaceutical Co. Ltd	Associated company	Receivable claims from associated parties	Provision of labors	No	94.29	41.02	135.31
Shenzhen Haibin Pharmaceutical Co., Ltd	Subcompany of controlling shareholder	Payable debts to associated parties	Purchase of materials	No	406.59	-23.09	383.5
Jiaozuo Joincare Pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Payable debts to associated parties	Purchase of materials	No	2,529	2,150.52	4,679.51

Guangdong Blue Treasure Pharmaceutical Co. Ltd	Associated company	Payable debts to associated parties	Purchase of materials	No	0.03	-0.03	
Jiaozuo Joincare Pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Payable debts to associated parties	Advance payments	Yes	0.73	0.44	1.17
Joincare pharmaceutical Group Industry Co., Ltd	Subcompany of controlling shareholder	Payable debts to associated parties	Renting of assets	No	87.86	32.95	120.81
Influence of associated claims and debts on operation results and financial status		The reason for formation of above associated claims and debts is to meet the routine operation needs of company; the amount is small, so this does not have key influence on the operation retuls and financial status of company.					

## 5. Other key associated transactions

Applicable  Inapplicable

## VIII. Key contracts and their performance status

### 1. Custody, contracting and renting

#### (1) Custody

Remarks about custody

The Company has no events about custodizing the asses for other companies or entrusting other companies to custodize the company assets that occurred in this period or that occurred in this period but have extended to this report period and have brought the company profits and accounted for over 10% (including 10%) of total profits.

Applicable  Inapplicable

#### (2) Contracting

Remarks about contracting:

The Company has no events about contracting the asses of other companies or other companies contracting the company assets that occurred in this period or that occurred in this period but have extended to this report period and have brought the company profits and accounted for over 10% (including 10%) of total profits.

Applicable  Inapplicable

#### (3) Leasing

Remarks about leasing:

The Company has no events about renting the asses of other companies or other companies renting the company assets that occurred in this period or that occurred in this period but have extended to this report period and have brought the

company profits and accounted for over 10% (including 10%) of total profits.

Applicable  Inapplicable

## 2. Guaranty

Unit:RMB 10000 Yuan

External guaranties provided by the company (not including the guaranties provided to the subcompany)								
Name of Guarantee	Disclosure date of relevant announcement of guaranty amount	Guaranty amount	Occurrence Date (Signing date of agreement)	Actual guarantee amount	Guaranty type	Period	Whether the guaranty has been completed	Whether the guaranty is to associate parties? (Yes or No)
In this report period, there are no above external guaranty cases.								
Guaranty that the company provides to the subcompanies								
Name of Guarantee	Disclosure date of relevant announcement of guaranty amount	Guaranty amount	Occurrence Date (Signing date of agreement)	Actual guarantee amount	Guaranty type	Period	Whether the guaranty has been completed	Whether the guaranty is to associate parties? (Yes or No)
Zhuhai Livzon Reagents Co., Ltd	2013-03-09	4,000	2013-03-20		Joint and several liability guaranty	2013.3.20-2015.3.20	No	No
Zhuhai Livzon Reagents Co., Ltd	2013-03-09	1,235.74	2012-03-22		Joint and several liability guaranty	2012.3.22-2015.3.21	No	No
Zhuhai Livzon Medicine Trade Co., Ltd	2013-03-09	1,000	2012-07-02		Joint and several liability guaranty	2012.7.2-2015.7.2	No	No
Limin Pharmaceutical Co., Ltd under Livzon Group	2013-03-09	15,000	2012-04-17	15,000	Joint and several liability guaranty	2012.4.17-2015.4.16	No	No
Livzon Syntpharm Co., Ltd in Zhuhai Bonded Area	2013-03-09	3,000	2012-06-07		Joint and several liability	2012.6.7-2015.6.7	Yes	No

					guaranty			
Livzon Pharmaceutical Factory under Livzon Group	2013-03-09	16,000	2012-05-17		Joint and several liability guaranty	2012.5.17-2015.5.16	No	No
Livzon Pharmaceutical Factory under Livzon Group	2013-03-09	32,000	2010-12-23		Joint and several liability guaranty	2010.12.14-2018.12.14	No	No
Livzon Pharmaceutical Factory under Livzon Group	2013-03-09	12,000	2009-10-15		Joint and several liability guaranty	2010.6.12-2018.6.3	No	No
Livzon Pharmaceutical Factory under Livzon Group	2013-03-09	10,000	2012-06-15		Joint and several liability guaranty	2012.6.15-2015.6.15	No	No
Livzon Pharmaceutical Factory under Livzon Group	2013-03-09	7,965.5	2010-05-13		Joint and several liability guaranty	2010.7.20-2013.7.20	No	No
Livzon Pharmaceutical Factory under Livzon Group	2013-03-09	4,016.16	2012-07-31		Joint and several liability guaranty	2012.7-31-2015.7.31	Yes	No
Livzon Pharmaceutical Factory under Livzon Group	2013-03-09	9,000	2012-06-07	1,194.83	Joint and several liability guaranty	2012.6.7-2015.6.7	No	No
Livzon Pharmaceutical Factory under Livzon Group	2013-03-09	4,381.03	2011-08-04		Joint and several liability guaranty	2011.8.4-2014.8.4	Yes	No
Total guaranty amount to its subcompanies approved in the report period (B1)		175,135.88		Total actual guaranty amount to its subcompanies approved in the report period (B2)		16,194.83		
Total guaranty limit to its subcompanies approved in the report period (B3)		175,135.88		Total actual guaranty balance to its subcompanies at the end of report period (B4)		16,194.83		
Total guaranty amount of company (i.e., the total of first two items)								
Total guaranty limit approved during the report period (A1+B1)		175,135.88		Total actual guaranty amount during the report period (A2+B2)			16,194.83	
Total guaranty limit approved at the end of report period (A3+B3)		175,135.88		Total actual guaranty balance at the end of the report period (A4+B4)			16,194.83	
Percentage of actual guaranty amount (i.e., A4+B4) in net assets of company (%)				5.19%				

Including:	
Guaranty amount provided to the shareholders, actual controllers and their associated parties (C)	0
Directly or indirectly provides the guaranty to any guarantees whose assets/liabilities ratio exceeds 70% (D)	0
Total guaranty amount that exceeds 50% of the net asset of the Company (E)	0
The total of above three guaranty amounts (C+D+E)	0
Remarks about possibility in bearing the joint and several liabilities in the undue guaranties (if any)	No
Remarks about violating the regulations and procedures to provide the external guaranty (if any)	No

Remarks about compound guaranty: in the above guaranty, the company holds only 51% of the equity of Zhuhai Livzon Reagent Co., Ltd, so the other shareholder of reagent company – Zhuhai Zhenghe Co., Ltd provides the company with the anti-guaranty of 49% of guaranty limit of above reagent company.

### 3. Other key contracts

Applicable  Inapplicable

### 4. Other key transactions

Applicable  Inapplicable

## IX. Commitments that the company and shareholders holding over 5% of total shares have made that occurred in this period or that occurred in this period but have extended to this report period

Commitments	Principal	Commitment content	Commitment date	Commitment period	Performance
Commitments about share reform					
Commitments in the purchase report or equity change reports					
Commitments at the time of asset restructuring					
Commitments at the time of first public					

issuing or refinancing					
Other commitments to medium and small shareholders of company	Joincare pharmaceutical Group Industry Co., Ltd	<p>The controlling shareholder Joincare made the following commitments while handling the restriction release of shares with trading restriction:</p> <p>1. When Joincare transfers its tradable shares of Livzon Group whose trading restriction has been released, it will strictly comply with the relevant regulations of the <i>Guiding Opinions on the Listed Companies' Transfer of Original Shares Released from Trading Restrictions</i> ([2008] No. 15 announcement) issued by China Securities Regulatory Commission.</p> <p>(2) Joincare plans to reduce its tradable shares of Livzon Group whose trading restriction has been released through the competing price trading system in the stock exchange in the future and the reduced quantity of shares amounts to over 5% within 6 months from the first reduction, then Joincare will disclose the reminder announcement about the selling affairs via Livzon Group in 2 trading days before the first reduction.</p>	December 17, 2008	Long-term	Perform based on actual situation
	Tiancheng Industry Co., Ltd.	<p>On January 9, 2012 to January 8, 2013, Tiancheng Industry Co., Ltd., a wholly owned subsidiary of the controlling shareholder of company Joincare, increase the quantity of B shares through the centralized competition mode in Shenzhen Stock Exchange trading system, and made the following commitments after the completion of implementation: after the completion of this share increase, the lock-up period of share-holding is 6 months from the completion date of the share increase.</p>	January 8, 2013	6 months	During the performance
	Tiancheng Industry Co., Ltd.	<p>While planning to perform the transfer project from B-shares to H-shares, Tiancheng Industry Co., Ltd signed a following letter of commitment: in the conditions that the third party arranged by Livzon Group provides the Company with a cash option about the transfer from B-shares to H-shares, with respect to the 50,660,052 B shares of Livzon Group that the Company currently holds, the Company agreed to waive the exercise of such cash option, and agreed to continue to hold and retain these shares to the date when they are changed to H Shares in accordance with this plan and are listed and traded in the Hongkong Stock Exchange, and from the date of signing of the</p>	January 25, 2013	Until the implementation plan about transfer from B-share to H-share is completed.	During the performance



		letter of commitment to the completion of the implementation of this plan, the Company will not purchase or sell the shares of Livzon Group (including A-shares and B-shares).			
Have the commitments been duly performed?	Yes				
Reason for failure to perform them and next plans	Inapplicable				
Are there any commitments about Horizontal Competition and associated transactions?	No				
Resolution period of commitments	Inapplicable				
Resolution mode	Inapplicable				
Performance of commitments	Inapplicable				

## X. Engagement or Disengagement of accountants firms

Has the semi-annual financial report been audited?

Yes  No

## XI. Penalty and correction

Applicable  Inapplicable

## XII. Remarks about other key events

Summary about key events	Disclosure date	Search index about temporary reports in the disclosure websites
On January 30, 2013, the 14 <sup>th</sup> meeting of the 7 <sup>th</sup> Board of Directors examined and approved that, the company intends to change the listing place of domestically listed foreign shares (B-shares) and list and trade them in on the Main Board of Hongkong Stock Exchange by the mode of introduction.	January 31, 2013	The disclosure document: Announcement about resolutions passed in the 2013 first temporary shareholders' meeting of Livzon Pharmaceutical Group Inc. (No. :2013-06); Livzon Pharmaceutical Group Inc.changes the listing place of domestically listed foreign shares (B-shares) and list and trade them in on the Main Board of Hongkong Stock Exchange by the mode of introduction; disclosure website: Juchao

		website ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> )
<p>Remarks: the above matters has been examined and adopted by the relevant shareholders' meetings. By the end of reporting period, the implementation of such matters has not been completed. The company will, based on the the development of matters and in accordance with the relevant requirements, fulfill the disclosure obligations in a timely manner. It should come to the attention of all investors.</p>		

## Section VI. Change of Share Capital and Particulars of Shareholders

### I. Particulars of Share Capital Changes

	Beginning balance		Increase (+) or decrease (-)					Closing balance	
	Quantity	Percentage	Newly issued shares	Bonus shares	Shares transferred from public reserve fund	Others	Subtotal	Quantity	Percentage
I. Shares with trading restriction	6,059,428	2.05%				71,534,389	71,534,389	77,593,817	26.24%
1. Shares held by the state	6,059,428	2.05%						6,059,428	2.05%
2. Shares held by foreign investors						71,534,389	71,534,389	71,534,389	24.19%
Including: shares held by overseas legal persons						71,534,389	71,534,389	71,534,389	24.19%
II. Shares without trading restriction	289,662,424	97.95%				-71,534,389	-71,534,389	218,128,035	73.76%
1. Renminbi ordinary shares	177,669,070	60.08%						177,669,070	60.08%
2. Domestically-listed Shares for Overseas Investors	111,993,354	37.87%				-71,534,389	-71,534,389	40,458,965	13.68%
III. Total of shares	295,721,852	100%				0	0	295,721,852	100%

Reasons for share changes

Applicable  Inapplicable

In the report period, according to the commitments made by the company shareholder Tiancheng Industry (holding 50,660,052 B shares in the Company), GAOLING FUND, LP (holding 10,767,777 B shares in the Company) and SUNRISE PALACE LIMITED (holding 10,106,560 B-shares in Company in the name of First Shanghai Securities Limited) while

implementing the project about transferring B-shares to H-shares, by the report period, the transfer of shares is still restricted.

Approval of share changes

Applicable  Inapplicable

Handling of formalities of share changes

Applicable  Inapplicable

Effect of share changes on the basic profit per share, diluted profit per share and net asset per share attributable to the ordinary shareholders of company in the recent one year or period

Applicable  Inapplicable

Other contents that the company considers necessary or the securities regulatory agency requires for disclosure

Applicable  Inapplicable

Total share quantity, changes of shareholder structure and changes of corporate asset and liability structures of the company

Applicable  Inapplicable

## II. Shareholder quantity and shareholding particulars

Unit:share

Total quantity of shareholders at the end of report period		18,746(including 5,782 B-share holders)					
Shares held by top ten shareholders							
Shareholder name	Shareholder nature	Shareholding percentage (%)	Total shareholding quantity at the end of report period (share)	Increase or decrease during the report period	Total quantity of shares with trading restriction	Total quantity of shares without trading restriction	Shares for the mortgage or freezing (share)
Joincare pharmaceutical Group Industry Co., Ltd	Domestic non-state owned legal person		77,510,167	-		77,510,167	
Tiancheng Industry Co., Ltd.	Foreign legal person	17.13%	50,660,052	-	50,660,052		
GAOLING FUND,L.P.	Foreign legal person	3.64%	10,767,777	-	10,767,777		
First Shanghai Securities Co., Ltd	Foreign legal person	3.63%	10,740,115	9,011	10,106,560	633,555	
Agricultural Bank of China – Penghua power growth mixed securities investment funds	Others	2.46%	7,270,094	-1,929,888		7,270,094	
Industrial and Commercial	Others	2.37%	7,013,958	1,856,720		7,013,958	

Bank of China- E-fund Value Growth Mix Securities Investment Fund							
Industrial and Commercial Bank of China- Harvest Strategic Growth Mixed Securities Investment Fund	Others	2.19%	6,464,019	463,021		6,464,019	
Guangzhou Begol Trading Corporation	State-owned legal person	2.05%	6,059,428	6,059,428	6,059,428		Mortgage and freezing
Shenzhen Haibin Pharmaceutical Co., Ltd	Domestic non-state-owned legal person	1.99%	5,892,943	5,892,943		5,892,943	
Agricultural Bank of China- Greatwall Anxin Return Mixed Securities Investment Fund	Others	1.86%	5,500,000	-200,000		5,500,000	
Remarks about the strategic investors or general legal person becoming the top ten shareholders (if any)	No.						
<b>Shareholding particulars of top ten shareholders without trading restriction</b>							
Shareholder name	Quantity of shares without trading restriction at the end of report period	Share type					
		Share type	Quantity				
Joincare pharmaceutical Group Industry Co., Ltd	77,510,167	Renminbi ordinary shares	77,510,167				
Agricultural Bank of China – Penghua power growth mixed securities investment funds	7,270,094	Renminbi ordinary shares	7,270,094				
Industrial and Commercial Bank of China- E-fund Value Growth Mix Securities Investment Fund	7,013,958	Renminbi ordinary shares	7,013,958				
Industrial and Commercial Bank of China- Harvest Strategic Growth Mixed Securities Investment Fund	6,464,019	Renminbi ordinary shares	6,464,019				
Shenzhen Haibin Pharmaceutical Co., Ltd	5,892,943	Renminbi ordinary shares	5,892,943				
Agricultural Bank of China- Greatwall Anxin Return Mixed Securities Investment Fund	5,500,000	Renminbi ordinary shares	5,500,000				
Bank of China – Harvest Study Fine Stock-type Securities Investment Fund	5,077,958	Renminbi ordinary shares	5,077,958				
Bank of Communications – Bosera New Growth Stock-type Securities Investment Fund	4,364,475	Renminbi ordinary shares	4,364,475				

Bank of Communications - Great Wall Jiufu Core Growth Stock-type Securities Investment Fund (LOF)	3,900,000	Renminbi ordinary shares	3,900,000
National social security fund 404 portfolio	2,941,219	Renminbi ordinary shares	2,941,219
Description of relationship or concerted action between top ten tradable shareholders without trading restriction as well as between top ten tradable shareholders without trading restriction and top ten shareholders:	<p>①On January 2, 2004, Joicare, Begol and Zhuhai Lishi Investment Co., Ltd signed the <i>Agreement on Equity Transfer, Custody and Mortgage</i>. Joicare and Guangzhou Begol Trading Corporation signed the <i>Agreement on Equity Transfer and Custody</i> and the <i>Agreement on Equity Mortgage</i>, in which Guangzhou Begol Trading Corporation directly transferred, custodized and mortgaged 6,059,428 domestic legal person shares of our company to Joicare;②Tiancheng Industry Co., Ltd and Shenzhen Haibin Pharmaceutical Co., Ltd are the subcompanies directly or indirectly held 100% by Joicare;③Agricultural Bank of China- Greatwall Anxin Return Mixed Securities Investment Fund and Bank of Communications - Great Wall Jiufu Core Growth Stock-type Securities Investment Fund (LOF) belong to Great Wall Fund Management Co., Ltd.④Industrial and Commercial Bank of China- Harvest Strategic Growth Mixed Securities Investment Fund and Bank of China – Harvest Study Fine Stock-type Securities Investment Fund belong to Harvest Fund Management Co., Ltd. ⑤ Agricultural Bank of China – Penghua power growth mixed securities investment funds and National social security fund 404 portfolio belong to Pengfa Fund Management Co., Ltd. Except the above cases,the Company does not know whether there are other relations between the top ten shareholders, or between top ten tradable shareholders without trading restriction, or top ten tradable shareholders without trading restriction and top ten shareholders or whether they belong to the persons acting in concert stated in the <i>Management Measures about Takeover of Listed Companies</i>.</p>		
Remarks about shares participating in the financing and bond business (if any)	None.		

Have the company shareholders specified about repurchase trade in the report period?

Yes  No

### III. Changes of controlling shareholders or actual controllers

Changes of controlling shareholders in the report period

Applicable  Inapplicable

Changes of actual controllers in the report period

Applicable  Inapplicable

## Section VII Particulars of Directors, Supervisors and Senior Executives

### Executives

#### I. Shareholding changes of Directors, Supervisors, and Senior Executives

Applicable  Inapplicable

There are no shareholding changes of directors, supervisors, and senior executives of company in the report period. For more details, please see the 2012 annual report of company.

#### II. Changes of directors, supervisors and senior executives

Name	Position	Type	Date	Reason
Wang Junyan	Independent director	Resign from position on the expiry date	June 7, 2013	Resign from position after the expiry of 6-year term as the independent director.
Guo Guoqing	Independent director	Elected	June 7, 2013	The 2012 second temporary shareholders' meeting of company examined and approved that, he was elected as the independent director.
Cao Pingwei	Supervisor	Resign from position	June 7, 2013	Resign from position for the personal reason
Pang Datong	Supervisor	Resign from position	June 7, 2013	Resign from position for the personal reason
Yuan Huasheng	Supervisor	Elected	June 7, 2013	The 2012 second temporary shareholders' meeting of company examined and approved that, he was elected as the independent director.
Huang Huamin	Supervisor	Elected	June 7, 2013	The 2012 second temporary shareholders' meeting of company examined and approved that, he was elected as the independent director.

## Section VIII Financial Report

### I. Auditing Report

Has the semi-annual report been audited?

Yes  No

The semi-annual report has not been audited.

### II. Financial Statement



## Consolidated Balance Sheet

Prepared by LIVZON PHARMACEUTICAL GROUP INC.

2013年6月30日

Unit: RMB Yuan

Assets	Note	Balance at the end of period	Balance at the beginning of period	Liabilities and shareholders' equities	Note	Balance at the end of period	Balance at the beginning of period
<b>Current assets:</b>				<b>Current liabilities:</b>			
Currency capital	V. 1	1,453,195,273.58	1,221,332,802.40	Short-term loans	V. 21	492,716,772.07	536,169,502.91
Settlement reserve				Loans from the Central Bank			
Lendings to Banks and Other Financial Institutions				Customer bank deposits and due to banks and other financial institutions			
Tradable financial assets	V. 2	11,477,809.46	59,319,616.94	placements			
Notes receivable	V. 3	157,099,114.13	112,482,782.18	Tradable financial liability			
Accounts receivable	V. 4	935,673,153.07	774,021,470.88	Notes payable	V. 22	341,162,691.47	283,581,118.89
Advance payment	V. 5	209,555,447.91	207,180,789.68	Accounts payable	V. 23	401,312,857.19	311,814,060.41
Premium receivables				Advance accounts	V. 24	47,348,986.54	37,950,040.42
Receivables from reinsurers				Expense for selling or repurchasing the financial assets			
Reinsurance contract reserves receivable				Payable handling fees and commissions			
Interests receivable				Payroll payable	V. 25	58,494,525.69	74,462,512.02
Dividend receivable				Tax payable	V. 26	57,240,471.42	96,658,310.36
Other receivables	V. 6	47,501,154.02	53,040,257.13	Interests payable	V. 27	20,780,088.52	10,454,004.86
Purchase of resold financial assets				Dividends payable	V. 28	150,392,910.46	2,531,984.46
Inventory	V. 7	593,451,494.82	546,497,999.53	Other accounts payable	V. 29	704,627,861.95	622,164,203.12
Non-current assets due within one year				Payable reinsurance accounts			
Other current assets				Insurance contract reserve			
				Expenses for purchasing and			
				Expenses for underwriting the securities			
				Non-current liabilities due within one year	V. 30	400,000.00	400,000.00
<b>Total of current assets</b>		<b>3,407,953,446.99</b>	<b>2,973,875,718.74</b>	Other current liabilities	V. 31	400,000,000.00	400,000,000.00
<b>Non-current assets:</b>				<b>Total of current liabilities</b>		<b>2,674,477,165.31</b>	<b>2,376,185,737.45</b>
Issuing of entrusted loans and				<b>Non-current liabilities</b>			
Saleable financial assets	V. 8	9,827,655.38	10,612,859.66	Long-term loan	V. 32	150,700,000.00	700,000.00
Investments held to the expiration				Bonds payable	V. 33	400,000,000.00	
Long-term accounts receivable				Long-term accounts payable			
Long-term equity investments	V. 10	122,670,054.37	120,961,203.88	Special accounts payable			
Real estate for investment				Anticipation liability			
Fixed assets	V. 11	1,128,693,389.73	1,127,285,485.37	Liabilities with the deferred income taxes	V. 18	2,675,649.32	2,576,489.15
Engineering under construction	V. 12	1,581,479,104.43	1,028,769,050.48	Other non-current liabilities	V. 34	67,243,914.08	74,172,485.90
Engineering goods	V. 13	1,472,007.62	1,623,576.06	<b>Subtotal of non-current liabilities</b>		<b>620,619,563.40</b>	<b>77,448,975.05</b>
Liquidation of fixed assets				<b>Total of liabilities</b>		<b>3,295,096,728.71</b>	<b>2,453,634,712.50</b>
Production biology assets				<b>Shareholders' equities:</b>			
Oil and gas assets				Share capital	V. 35	295,721,852.00	295,721,852.00
Intangible assets	V. 14	226,602,676.03	205,129,693.66	Capital reserve	V. 36	218,442,782.03	219,110,205.68
Development expenses	V. 15	212,866.16	1,510,153.51	Minus: treasury share			
Goodwill	V. 16	103,040,497.85	103,040,497.85	Special reserve			
Long-term deferred and prepa	V. 17	18,441,213.36	17,785,870.45	Surplus reserve	V. 37	490,319,036.90	490,319,036.90
Assets with deferred income	V. 18	43,587,636.23	43,159,851.98	General risk reserve			
Other non-current assets				Undistributed profit	V. 38	2,134,798,331.22	2,023,348,842.58
				Conversion difference of foreign currency financial statements		-21,861,710.12	-20,484,128.53
				Subtotal of equities attributable to the shareholders of parent		3,117,420,292.03	3,008,015,808.63
				Equities of the minority of shareholders	V. 39	231,463,527.41	172,103,440.01
<b>Subtotal of non-current assets</b>		<b>3,236,027,101.16</b>	<b>2,659,878,242.40</b>	<b>Subtotal of shareholders' equities</b>		<b>3,348,883,819.44</b>	<b>3,180,119,248.64</b>
<b>Total of assets</b>		<b>6,643,980,548.15</b>	<b>5,633,753,961.14</b>	<b>Total of liabilities and shareholders' equities</b>		<b>6,643,980,548.15</b>	<b>5,633,753,961.14</b>

Legal representative: Zhu Baoguo    Principal of the Financial Department: An Ning    Principal of the Accounting Department: Si Yanxia

### Consolidated Profit Statement

Prepared by: LIZON PHARMACEUTICAL GROUP INC.

2013年1-6月

Unit: RMB Yuan

Item	Note	Amount in this Period	Amount in previous Period
<b>I. Total operating income</b>		<b>2,162,261,822.40</b>	<b>1,884,997,175.44</b>
Including: operating income	V. 40	2,162,261,822.40	1,884,997,175.44
Interests incomes			
Earned premium			
Handling fees and commission incomes			
<b>II. Total operating cost</b>		<b>1,855,583,225.56</b>	<b>1,606,774,916.02</b>
Including: operating cost	V. 40	808,839,135.50	748,752,436.28
Interests expenses			
Handling charges and commission expenses			
Surrender Value			
Net amount of compensation payout			
Net amount of reserves for reinsurance contract			
Expenditures for policy dividends			
Amortized Reinsurance Expenditures			
Operating tax and surtax	V. 41	27,219,270.08	24,276,036.50
Sales expense	V. 42	825,119,808.36	674,023,464.01
Management expense	V. 43	189,171,222.87	157,636,704.20
Financial expense	V. 44	-10,796,789.08	-11,059,371.29
Loss from asset depreciation	V. 45	16,030,577.83	13,145,646.32
Plus: returns from the changes of fair values (the loss is listed beginning with “-” )	V. 46	-1,242,332.26	2,114,503.89
Investment returns (the loss is listed beginning with “-” )	V. 47	3,086,974.76	1,731,468.57
Including: the investment returns from the associated enterprises and joint enterprises		1,708,850.99	141,933.89
Returns from exchange (the loss is listed beginning with “-” )			
<b>III. Operating profit (the loss is listed beginning with “-” )</b>		<b>308,523,239.34</b>	<b>282,068,231.88</b>
Plus : non-operating income	V. 48	15,038,795.39	12,560,093.79
Minus: non-operating payments	V. 49	1,462,423.58	224,395.39
Including: loss in the disposal of non-current assets		4,620.05	76,607.97
<b>IV. Total profit (the loss is listed beginning with “-” )</b>		<b>322,099,611.15</b>	<b>294,403,930.28</b>
Minus: income tax expense	V. 50	52,423,967.25	47,671,992.09
<b>V. Net profit (the net loss is listed beginning with “-” )</b>		<b>269,675,643.90</b>	<b>246,731,938.19</b>
Including: net profit of merged party before the merger			
Net profit attributable to the owners of parent company		259,310,414.64	228,705,016.39
Profit and loss of the minority of shareholders		10,365,229.26	18,026,921.80
<b>VI. Profit per share:</b>			
(I) Basic profit per share	V. 51	0.88	0.77
(II) Diluted profit per share	V. 51	0.88	0.77
<b>VII. Other comprehensive profit</b>	V. 52	<b>-2,050,147.10</b>	<b>764,460.98</b>
<b>VIII. Total amount of comprehensive profit</b>		<b>267,625,496.80</b>	<b>247,496,399.17</b>
Subtotal of comprehensive profits attributable to the owners of parent company		257,265,409.40	229,469,477.37
Subtotal of comprehensive profits attributable to the minority of shareholders		10,360,087.40	18,026,921.80

Legal representative: Zhu Baoguo Principal of the Financial Department: An Ning Principal of the Accounting Department: Si Yanxia

## Consolidated Cash Flow Statement

Prepared by LIVZON PHARMACEUTICAL GROUP INC.

2013年1-6月

Unit: RMB Yuan

Item	Note	Amount in this Period	Amount in previous Period
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		2,055,899,741.95	1,878,718,303.45
Net increase in customer bank deposits and due to banks and other financial institutions			
Net increase of Borrowings from central bank			
Net increase in placements from other financial institutions			
Premiums received from original insurance contract			
Net cash received from reinsurance business			
Net increase of policy holder deposits and investment funds			
Net increase from disposal of tradable financial assets			
Interests, handling charges and commission received			
Net increase in placements from other financial institutions			
Net increase in repurchase business capital			
Tax refunding		7,182,715.19	8,939,874.67
Cash received related to other operating activities	V. 53 (1)	78,591,439.75	94,160,443.50
<b>Subtotal of cash inflow from the operating activities</b>		<b>2,141,673,896.89</b>	<b>1,981,818,621.62</b>
Cash paid for purchase of goods or receiving of services		561,014,418.82	423,673,542.11
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other financial institutions			
Cash paid for indemnity of original insurance contract			
Interests, handling charges and commissions paid			
Policyholder Dividend Paid			
Cash paid to and on behalf of employees		200,991,329.00	157,985,609.88
Tax payments		332,093,491.05	305,140,097.60
Other cashes paid to operating activities	V. 53 (2)	861,743,634.48	759,602,986.09
<b>Subtotal of cash outflow from operating activities</b>		<b>1,955,842,873.35</b>	<b>1,646,402,235.68</b>
<b>Net cash flow from operating activities</b>		<b>185,831,023.54</b>	<b>335,416,385.94</b>
<b>II. Cash flow from investment activities:</b>			
Cash received from disposal of investments		46,832,558.60	1,975,960.82
Cash received from investment returns		528,338.99	1,031,835.90
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		126,808.00	171,522.00
Net cash received in disposal of the subcompanies and other operating units			
Cash received related to other investment activities			
<b>Subtotal of cash inflow from the investment activities</b>		<b>47,487,705.59</b>	<b>3,179,318.72</b>
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		540,643,798.72	416,265,732.59
Cash paid to acquire investments			
Net increase in pledge loans			
Net cash paid to acquire the subcompanies and other operating units			
Cash paid related to other investment activities	V. 53 (3)	5,400,000.00	
<b>Subtotal of cash outflow from investment activities</b>		<b>546,043,798.72</b>	<b>416,265,732.59</b>
<b>Net amount of cash flow received from the investment activities</b>		<b>-498,556,093.13</b>	<b>-413,086,413.87</b>
<b>III. Cash flow from financing activities:</b>			
Cash received from investors		49,000,000.00	
Including: cash invested by the minority of shareholders of subcompanies		49,000,000.00	
Cash from loans		250,169,855.44	157,422,169.70
Cash received in the issuing of bonds		400,000,000.00	
Cash received related to other financing activities			
<b>Subtotal of cash inflow from the financing activities</b>		<b>699,169,855.44</b>	<b>157,422,169.70</b>
Repayments of loans		139,400,620.91	434,183,560.74
Cash paid for distribution of dividends, profits and repayment of interests		12,252,709.65	193,353,385.14
Including: the dividends and profits paid to the minority of shareholders by the subcompanies			19,183,731.20
Cash payments related to other financing activities			
<b>Sub-total of cash outflow from the financing activities</b>		<b>151,653,330.56</b>	<b>627,536,945.88</b>
<b>Net cash flow from financing activities</b>		<b>547,516,524.88</b>	<b>-470,114,776.18</b>
<b>IV. Effect of foreign exchange fluctuation on cash and cash equivalents</b>			
		-819,287.90	1,071,218.01
<b>V. Net increase of cash and cash equivalents</b>			
		<b>233,972,167.39</b>	<b>-546,713,586.10</b>
Plus: Balance of cash and cash equivalents at the beginning of the period		<b>1,178,636,300.52</b>	<b>1,432,175,794.78</b>
<b>VI Balance of cash and cash equivalents at the end of the period</b>			
		<b>1,412,608,467.91</b>	<b>885,462,208.68</b>

Legal representative: Zhu Baoguo

Principal of the Financial Department: An Ning

Principal of the Accounting Department: Si Yanxia

## Consolidated Change Statement of Shareholders' Equities

Prepared by: LITZON PHARMACEUTICAL GROUP INC.

January to June 2013

Unit: RMB Yuan

Item	Amount in this period									
	Equities attributable to shareholders of parent company							Equities of the minority of shareholders	Total of shareholders' equities	
	Share capital	Capital reserve	Minus: treasury shares	Special reserve	Surplus Reserve	General risk reserve	Undistributed Profit			Conversion difference of foreign currency statements
<b>I. Balance at the end of previous year</b>	295,721,852.00	219,110,205.68			490,319,036.90		2,023,348,842.58	-20,484,128.53	172,103,440.01	3,180,119,248.64
Plus: retrospective adjustment caused by the merger of enterprises which are under the same control										-
Plus: changes of accounting policies										-
Correction of errors in the early stage										-
Others										-
<b>II. Balance at the beginning of this year</b>	295,721,852.00	219,110,205.68	-	-	490,319,036.90	-	2,023,348,842.58	-20,484,128.53	172,103,440.01	3,180,119,248.64
<b>III. Increase or decrease of change amount</b>	-	-667,423.65	-	-	-	-	111,449,488.64	-1,377,581.59	59,360,087.40	168,764,570.80
(I) Net profit							259,310,414.64		10,365,229.26	269,675,643.90
(II) Other comprehensive gains		-667,423.65						-1,377,581.59	-5,141.86	-2,050,147.10
<b>Subtotal of (I) and (II)</b>	-	-667,423.65	-	-	-	-	259,310,414.64	-1,377,581.59	10,360,087.40	267,625,496.80
(III) Increase and decrease of capitals by	-	-	-	-	-	-	-	-	49,000,000.00	49,000,000.00
1. Capital investment by owners									49,000,000.00	49,000,000.00
2. Share amount that is accrued to the shareholders' equities										-
3. Others										-
(IV) Profit distribution	-	-	-	-	-	-	-147,860,926.00	-	-	-147,860,926.00
1. Withdrawal of surplus reserve										-
2. Withdrawal of general risk reserve										-
3. Distribution to shareholders							-147,860,926.00			-147,860,926.00
4. Others										-
(V) Internal settlement and transfer of owners' equities	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital										-
2. Transfer of surplus reserve to share capital										-
3. Surplus reserve makes up for the loss										-
4. Others										-
(VI) Special reserve	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of special reserve										-
2. Use of special reserve										-
(VII) Others										-
<b>IV. Balance at the end of this period</b>	295,721,852.00	218,442,782.03	-	-	490,319,036.90	-	2,134,798,331.22	-21,861,710.12	231,463,527.41	3,348,883,819.44

Legal representative: Zhu Baoguo

Principal of the Financial Department: An Ning

Principal of the Accounting Department: Si Yanxia

## Consolidated Change Statement of Shareholders' Equities (Continued)

Prepared by:

LIVZON PHARMACEUTICAL GROUP INC.

January to June 2013

Unit: RMB Yuan

Item	Amount in previous year									Total of shareholders' equities
	Equities attributable to shareholders of parent company								Equities of the minority of shareholders	
	Share capital	Capital reserve	Minus: treasury shares	Special reserve	Surplus Reserve	General risk reserve	Undistributed Profit	Conversion difference of foreign currency statements		
<b>I. Balance at the end of previous year</b>	295,721,852.00	348,093,136.41			479,211,417.19		1,740,645,868.60	-20,502,568.00	168,448,125.75	3,011,617,831.95
Plus: retrospective adjustment caused by the merger of enterprises which are under the same control										-
Plus: changes of accounting policies										-
Correction of errors in the early stage										-
Others										-
<b>II. Balance at the beginning of this year</b>	295,721,852.00	348,093,136.41	-	-	479,211,417.19	-	1,740,645,868.60	-20,502,568.00	168,448,125.75	3,011,617,831.95
<b>III. Increase or decrease of change amount</b>	-	-128,982,930.73	-	-	11,107,619.71	-	282,702,973.98	18,439.47	3,655,314.26	168,501,416.69
(I) Net profit							441,671,519.69		33,551,579.27	475,223,098.96
(II) Other comprehensive gains		84,892.61						18,439.47	-1,429.23	101,902.85
<b>Subtotal of (I) and (II)</b>	-	84,892.61	-	-	-	-	441,671,519.69	18,439.47	33,550,150.04	475,325,001.81
(III) Increase and decrease of capitals by the owners	-	-	-	-	-	-	-	-	3,036,000.00	3,036,000.00
1. Capital investment by owners									3,036,000.00	3,036,000.00
2. Share amount that is accrued to the shareholders' equities										-
3. Others										-
(IV) Profit distribution	-	-	-	-	11,107,619.71	-	-158,968,545.71	-	-31,433,731.21	-179,294,657.21
1. Withdrawal of surplus reserve					11,107,619.71		-11,107,619.71			-
2. Withdrawal of general risk reserve										-
3. Distribution to shareholders							-147,860,926.00		-31,433,731.21	-179,294,657.21
4. Others										-
(V) Internal settlement and transfer of owners' equities	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital										-
2. Transfer of surplus reserve to share capital										-
3. Surplus reserve makes up for the loss										-
4. Others										-
(VI) Special reserve	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of special reserve										-
2. Use of special reserve										-
(VII) Others		-129,067,823.34								-130,564,927.91
<b>IV. Balance at the end of this year</b>	295,721,852.00	219,110,205.68	-	-	490,319,036.90	-	2,023,348,842.58	-20,484,128.53	172,103,440.01	3,180,119,248.64

Legal representative: Zhu Baoguo

Principal of the Financial Department: An Ning

Principal of the Accounting Department: Si Yanxia

## Balance Sheet of Parent Company

Prepared by LIVZON PHARMACEUTICAL GROUP INC.

2013年6月30日

Unit: RMB Yuan

Assets	Note	Balance at the end of period	Balance at the beginning of period	Liabilities and shareholders' equities	Note	Balance at the end of period	Balance at the beginning of period
<b>Current assets:</b>				<b>Current liabilities:</b>			
Currency capital		1,272,635,829.48	1,140,415,395.77	Short-term loans		362,048,132.07	403,190,102.91
Tradable financial assets				Tradable financial liability			
Notes receivable		64,984,277.09	18,838,299.32	Notes payable		627,553,362.77	565,951,118.89
Accounts receivable	XI. 1	441,409,134.36	356,944,182.17	Accounts payable		161,233,226.02	117,634,591.39
Advance money		18,478,882.80	11,947,252.36	Advance accounts		9,020,493.82	7,154,698.64
Interests receivable				Payroll payable		12,813,553.38	24,141,017.37
Dividend receivable				Tax payable		32,479,035.78	24,119,667.76
Other receivables	XI. 2	1,039,140,228.22	672,875,015.59	Interests payable		19,300,043.35	9,058,796.48
Inventory		72,271,633.57	80,003,596.83	Dividend payable		147,881,100.46	20,174.46
Non-current assets due within one year				Other accounts payable		1,185,965,902.18	1,042,693,215.88
Other current assets				Non-current liabilities due within one year			
				Other current liabilities		400,000,000.00	400,000,000.00
				<b>Total of current liabilities</b>		<b>2,958,294,849.83</b>	<b>2,593,963,383.78</b>
<b>Total of current assets</b>		<b>2,908,919,985.52</b>	<b>2,281,023,742.04</b>	<b>Non-current liabilities</b>			
<b>Non-current assets:</b>				Long-term loan			
Saleable financial assets		9,827,655.38	10,612,859.66	Bonds payable			
Investment held to the maturity date				Long-term accounts payable			
Long-term accounts receivable				Special accounts payable			
Long-term equity investment	XI. 3	1,711,336,535.58	1,660,096,199.25	Anticipation liability			
Real estate for Investment				Liabilities with the deferred income taxes		1,100,643.70	1,218,424.33
Fixed assets		88,945,441.99	89,894,096.64	Other non-current liabilities		406,314,688.70	9,311,879.60
Engineering under construction				<b>Subtotal of non-current liabilities</b>		<b>407,415,332.40</b>	<b>10,530,303.93</b>
Engineering goods				<b>Total of liabilities</b>		<b>3,365,710,182.23</b>	<b>2,604,493,687.71</b>
Liquidation of fixed assets				<b>Shareholders' equities:</b>			
Production biology assets				Share capital		295,721,852.00	295,721,852.00
Oil and gas assets				Capital reserve		338,451,720.85	339,119,144.50
Intangible assets		31,727,406.85	33,297,100.50	Minus: treasury share			
Development expenses		212,866.16	1,289,662.78	Special reserve			
Goodwill				Surplus reserve		285,355,983.32	285,355,983.32
Long-term deferred and prepaid expenses				General risk reserve			
Assets with deferred income taxes		13,924,386.61	13,899,260.85	Undistributed profit		479,654,539.69	565,422,254.19
Other non-current assets							
<b>Subtotal of non-current assets</b>		<b>1,855,974,292.57</b>	<b>1,809,089,179.68</b>	<b>Subtotal of shareholders' equities</b>		<b>1,399,184,095.86</b>	<b>1,485,619,234.01</b>
<b>Total of assets</b>		<b>4,764,894,278.09</b>	<b>4,090,112,921.72</b>	<b>Total of liabilities and shareholders' equities</b>		<b>4,764,894,278.09</b>	<b>4,090,112,921.72</b>

Legal representative: Zhu Baoguo

Principal of the Financial Department: An Ning

Principal of the Accounting Department: Si Yanxia

## Profit Statement of Parent Company

Prepared by LIVZON PHARMACEUTICAL GROUP INC.

2013年1-6月

Unit: RMB Yuan

Item	Note	Amount in this Period	Amount in previous Period
<b>I. operating income</b>	XI. 4	1,011,564,671.85	858,957,803.70
Minus: operating cost	XI. 4	416,041,317.69	409,099,933.35
Operating tax and surtax	XI. 5	11,988,544.29	9,283,845.60
Sales expense		454,663,139.94	363,491,123.89
Management expense		68,514,052.40	49,055,574.70
Financial expense		-10,271,365.02	-1,937,808.58
Loss from asset depreciation		2,586,122.93	9,612,273.16
Plus: returns from the changes of fair values (the loss is listed beginning with “-” )			
Investment returns (the loss is listed beginning with “-” )	XI. 6	584,086.33	51,492,091.39
Including: the investment returns from the associated enterprises and joint enterprises		240,336.33	-775,324.31
<b>II. Operating profit (the loss is listed beginning with “-” )</b>		<b>68,626,945.95</b>	<b>71,844,952.97</b>
Plus : non-operating income		4,146,828.21	1,212,359.47
Minus: non-operating payments		1,114,983.05	19,320.08
Including: loss in the disposal of non-current assets		4,620.05	1,957.50
<b>III. Total profit (the loss is listed beginning with “-” )</b>		<b>71,658,791.11</b>	<b>73,037,992.36</b>
Minus: income tax expense		9,565,579.61	2,438,901.82
<b>IV. Net profit (the net loss is listed beginning with “-” )</b>		<b>62,093,211.50</b>	<b>70,599,090.54</b>
<b>V. Profit per share:</b>			
(I) Basic profit per share			
(II) Diluted profit per share			
<b>VI. Other comprehensive profit</b>		<b>-667,423.65</b>	<b>356,041.67</b>
<b>VII. Total amount of comprehensive profit</b>		<b>61,425,787.85</b>	<b>70,955,132.21</b>

Legal representative: Zhu Baoguo

Principal of the Financial Department: An Ning

Principal of the Accounting Department: Si Yanxia

## Cash Flow Statement of Parent Company

Prepared by LIVZON PHARMACEUTICAL GROUP INC.

2013年1-6月

Unit: RMB Yuan

Item	Note	Amount in this Period	Amount in previous Period
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		988,001,182.80	867,770,928.23
Tax refunding			-
Cash received related to other operating activities		33,983,980.65	134,181,508.17
<b>Subtotal of cash inflow from the operating activities</b>		<b>1,021,985,163.45</b>	<b>1,001,952,436.40</b>
Cash paid for purchase of goods or receiving of services		427,873,613.77	401,573,153.89
Cash paid to and on behalf of employees		45,102,436.10	38,217,766.09
Tax payments		112,019,148.33	90,059,826.90
Other cashes paid to operating activities		440,929,046.10	562,438,803.54
<b>Subtotal of cash outflow from operating activities</b>		<b>1,025,924,244.30</b>	<b>1,092,289,550.42</b>
<b>Net cash flow from operating activities</b>		<b>-3,939,080.85</b>	<b>-90,337,114.02</b>
<b>II. Cash flow from investment activities:</b>			
Cash received from disposal of investments			
Cash received from investment returns		343,750.00	52,267,415.70
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		73,000.00	25,000.00
Net cash received in disposal of the subcompanies and other operating units			
Cash received related to other investment activities			
<b>Subtotal of cash inflow from the investment activities</b>		<b>416,750.00</b>	<b>52,292,415.70</b>
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		14,879,582.03	10,801,196.20
Cash paid to acquire investments		51,000,000.00	
Net cash paid to acquire the subcompanies and other operating units			
Cash paid related to other investment activities			
<b>Subtotal of cash outflow from investment activities</b>		<b>65,879,582.03</b>	<b>10,801,196.20</b>
<b>Net amount of cash flow received from the investment activities</b>		<b>-65,462,832.03</b>	<b>41,491,219.50</b>
<b>III. Cash flow from financing activities:</b>			
Cash received from investors			
Cash received from subcompanies			
Cash from loans		57,224,195.44	133,017,169.70
Cash received in the issuing of bonds		400,000,000.00	
Cash received related to other financing activities			
<b>Subtotal of cash inflow from the financing activities</b>		<b>457,224,195.44</b>	<b>133,017,169.70</b>
Repayments of loans		96,454,960.91	409,778,560.74
Cash paid for distribution of dividends, profits and repayment of interests		5,973,732.56	183,481,993.91
Loans to the subcompanies		20,012,978.78	
Cash payments related to other financing activities		127,153,504.20	
<b>Sub-total of cash outflow from the financing activities</b>		<b>249,595,176.45</b>	<b>593,260,554.65</b>
<b>Net cash flow from financing activities</b>		<b>207,629,018.99</b>	<b>-460,243,384.95</b>
<b>IV. Effect of foreign exchange fluctuation on cash and cash equivalents</b>		<b>5,812.51</b>	<b>30,426.85</b>
<b>V. Net increase of cash and cash equivalents</b>		<b>138,232,918.62</b>	<b>-509,058,852.62</b>
Plus: Balance of cash and cash equivalents at the beginning of the period		1,099,218,893.89	1,306,877,982.24
<b>VI Balance of cash and cash equivalents at the end of the period</b>		<b>1,237,451,812.51</b>	<b>797,819,129.62</b>

Legal representative: Zhu Baoguo

Principal of the Financial Department: An Ning

Principal of the Accounting Department: Si Yanxia



## Change Statement of Shareholders' Equities of Parent Company

Prepared by: LIVZON PHARMACEUTICAL GROUP INC.

January to June 2013

Unit: RMB Yuan

Item	Amount in this period							Total of shareholders'
	Share capital	Capital reserve	Minus: treasury shares	Special reserve	Surplus Reserve	General risk reserve	Undistributed Profit	
<b>I. Balance at the end of previous year</b>	295,721,852.00	339,119,144.50			285,355,983.32		565,422,254.19	1,485,619,234.01
Plus: changes of accounting policies								-
Correction of errors in the early stage								-
Others								-
<b>II. Balance at the beginning of this period</b>	295,721,852.00	339,119,144.50	-	-	285,355,983.32	-	565,422,254.19	1,485,619,234.01
<b>III. Increase or decrease of change amount in this period</b>	-	-667,423.65	-	-	-	-	-85,767,714.50	-86,435,138.15
(I) Net profit							62,093,211.50	62,093,211.50
(II) Other comprehensive gains		-667,423.65						-667,423.65
<b>Subtotal of (I) and (II)</b>	-	-667,423.65	-	-	-	-	62,093,211.50	61,425,787.85
(III) Increase and decrease of capitals by the owners	-	-	-	-	-	-	-	-
1. Capital investment by owners								-
2. Share amount that is accrued to the shareholders' equities								-
3. Others								-
(IV) Profit distribution	-	-	-	-	-	-	-147,860,926.00	-147,860,926.00
1. Withdrawal of surplus reserve								-
2. Withdrawal of general risk reserve								-
3. Distribution to shareholders							-147,860,926.00	-147,860,926.00
4. Others								-
(V) Internal settlement and transfer of owners' equities	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital								-
2. Transfer of surplus reserve to share capital								-
3. Surplus reserve makes up for the loss								-
4. Others								-
(VI) Special reserve	-	-	-	-	-	-	-	-
1. Withdrawal of special reserve								-
2. Use of special reserve								-
(VII) Others								-
<b>IV. Balance at the end of this period</b>	295,721,852.00	338,451,720.85	-	-	285,355,983.32	-	479,654,539.69	1,399,184,095.86

Legal representative: Zhu Baoguo

Principal of the Financial Department: An Ning

Principal of the Accounting Department: Si Yanxia

## Change Statement of Shareholders' Equities of Parent Company (Continued)

Prepared by: LIVZON PHARMACEUTICAL GROUP INC.

January to June 2013

Unit: RMB Yuan

Item	Amount in previous year							
	Share capital	Capital reserve	Minus: treasury shares	Special reserve	Surplus Reserve	General risk reserve	Undistributed Profit	Total of shareholders' equities
<b>I. Balance at the end of previous year</b>	295,721,852.00	337,951,183.00			274,248,363.61		613,314,602.85	1,521,236,001.46
Plus: changes of accounting policies								-
Correction of errors in the early stage								-
Others								-
<b>II. Balance at the beginning of this year</b>	295,721,852.00	337,951,183.00	-	-	274,248,363.61	-	613,314,602.85	1,521,236,001.46
<b>III. Increase or decrease of change amount in this year</b>	-	1,167,961.50	-	-	11,107,619.71	-	-47,892,348.66	-35,616,767.45
(I) Net profit							111,076,197.05	111,076,197.05
(II) Other comprehensive gains		1,167,961.50						1,167,961.50
<b>Subtotal of (I) and (II)</b>	-	1,167,961.50	-	-	-	-	111,076,197.05	112,244,158.55
(III) Increase and decrease of capitals by the owners	-	-	-	-	-	-	-	-
1. Capital investment by owners								-
2. Share amount that is accrued to the shareholders' equities								-
3. Others								-
(IV) Profit distribution	-	-	-	-	11,107,619.71	-	-158,968,545.71	-147,860,926.00
1. Withdrawal of surplus reserve					11,107,619.71		-11,107,619.71	-
2. Withdrawal of general risk reserve								-
3. Distribution to shareholders							-147,860,926.00	-147,860,926.00
4. Others								-
(V) Internal settlement and transfer of owners' equities	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital								-
2. Transfer of surplus reserve to share capital								-
3. Surplus reserve makes up for the loss								-
4. Others								-
(VI) Special reserve	-	-	-	-	-	-	-	-
1. Withdrawal of special reserve								-
2. Use of special reserve								-
(VII) Others								-
<b>IV. Balance at the end of this year</b>	295,721,852.00	339,119,144.50	-	-	285,355,983.32	-	565,422,254.19	1,485,619,234.01

Legal representative: Zhu Baoguo

Principal of the Financial Department: An Ning

Principal of the Accounting Department: Si Yanxia

# Livzon Pharmaceutical Group Inc.

## Notes to Financial Statement

June 30, 2013

(The amount is expressed in RMB unless otherwise specified)

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### I. Company Profile

#### 1 History

In March 1992, approved by Zhu Ti Gai Wei [1992] No. 29 document issued by Zhuhai Economic System Reform Commission and 1992] No. 45 document issued by the joint examination team under Guangdong Enterprise Shareholding System Pilot Reform and Guangdong Economic System Reform Commission, Livzon Pharmaceutical Group Inc. (hereinafter referred to as "This Company" or "Company") is a limited company raising funds from targeted sources that has been sponsored by Macau Nanyue (Group) Co., Ltd, Zhuhai Credit Cooperative, Guangdong Medicine Group Co., Ltd, Zhuhai Medicine Company, Guangdong Medicines & Health Products IMP.& EXP. CORP, Zhuhai branch of Bank of China, Zhuhai Guihua Staff Mutual Help Association, contributed with the net assets of the original joint venture Co., Ltd as the shares, and raised other funds from the domestic legal persons and internal staffs.

In 1993, approved by Yue Zheng Jian Fa Zi [1993] No. 001 document issued by Guangdong Securities Regulatory Commission, Shen Ren Yin Fu Zi [1993] No. 239 document issued by Shenzhen Special Economic Zone branch of the People's Bank of China and Zheng Jian Fa Shen Zi [1993] No. 19 document issued by China Securities Regulatory Commission, the company was listed in Shenzhen Stock Exchange.

In 1998, the sponsoring shareholders of company including Zhuhai Credit Cooperative, Guangdong Pharmaceutical Industry Company, Zhuhai Guihua Staff Mutual Help Association and Zhuhai branch of Bank of China signed the *Equity Transfer Agreement* with China Everbright Bank (Group) Co., Ltd and transferred all their equities to China Everbright Bank (Group) Co., Ltd. After the transfer, China Everbright Bank (Group) Co., Ltd held 38,917,518 domestic legal person shares of the company. The foreign-owned sponsor Macau Nanyue (Group) Co., Ltd signed the *Equity Transfer Agreement* with China Everbright Medicine Co., Ltd and completely transferred 18,893,448 foreign legal person shares to China Everbright Medicine Co., Ltd.

On April 12, 2002, China Everbright Bank (Group) Co., Ltd and Xi'an Topsun Group Co., Ltd signed the *Equity Custody Agreement* and China Everbright Bank (Group) Co., Ltd put all its domestic legal person shares (38,917,518 shares) under the custody of Xi'an Topsun Group Co., Ltd. On December 21, 2004, Xi'an Topsun Group Co., Ltd received the 38,917,518 legal person shares of the company from China Everbright Bank (Group) Co., Ltd. By December 31, 2004, China Everbright Bank (Group) Co., Ltd did not hold any of the company shares, and Xi'an Topsun Group Co., Ltd directly held 38,917,518 legal person shares of the company, accounting for 12.72% of total shares.

On February 4, 2005, Joincare Pharmaceutical Group Industry Co., Ltd (hereinafter referred to as Joincare) and Xi'an Topsun Group Co., Ltd signed the *Equity Transfer Agreement* and *Equity Mortgage Agreement*. Xi'an Topsun Group Co., Ltd directly transferred and mortgaged 38,917,518 domestic legal person shares of the company to Joincare and handled the formalities for equity transfer on August 3, 2006.

By December 31, 2011, Joincare Group and its holding subcompanies has owned 140,122,590 shares of the company through the agreement transfer and direct purchase from the secondary markets, accounting for 47.3832% of total shares and becoming the largest shareholder, so it has owned the actual control right of the company. The formalities for transferring the equities of 6,059,428 legal person shares held in the name of Guangzhou Begol Trading Corporation to Joincare Group have not been handled.

In the 2008 First Temporary Shareholders' Meeting, the company examined and passed the *Proposal on Repurchasing Some of Domestically Listed Shares for Overseas Investors (B Shares) of Livzon Pharmaceutical Group Inc.* By December 2, 2009 (the expiry date of implementing the repurchase), the company has accumulatively repurchased 10,313,630 B-shares. On December 4, 2009, the company handled the cancellation affairs about repurchased shares with Shenzhen Branch of China Securities Depository & Clearing Corporation Limited; the total share capital of company decreased by 10,313,630 shares, and the registered capital of company is reduced from RMB 306,035,482 Yuan to RMB 295,721,852 Yuan. On April 20, 2010, the company handled the registration formalities of industrial and commercial changes, and was issued the business license for enterprise legal person with the registration No. of 440400400032571.

## 2 Industry

The company is in the pharmacy industry.

## 3 Business scope

The approved business scope of the company: the company mainly produces and sells the raw materials for Chinese and western medicines, medicine intermediate, Chinese medicine materials, tablet of Chinese medicines, medical instruments, sanitation materials, healthcare products, medical cosmetics, Chinese and western finished medicines, bio-chemical reagents, and also handles the chemical industry, food and information business, raw materials for medicines etc; also involves the import and export businesses of its products and relevant technologies; wholesale of the Chinese finished medicines, chemical material medicines and their preparations, antibiotic material medicines and their preparations, biological products (except the preventive biological products), bio-chemical medicines. (The products administrated with quota license or special regulations shall be subject to the relevant national rules; the projects that need the administrative approvals cannot be dealt with unless such approvals are given).

## 4 Change of main business

During the report period, the company has not changed its main business.

## II. Main Accounting Policies, Accounting Evaluation and Early Error of the Company

**(I) Preparation Basis of Financial Statement**

Based on the continuous operation assumption of company and the actual transactions and Items, in accordance with the *Enterprise Accounting Standards* issued by the Ministry of Finance in February 15, 2006, this financial statement is prepared under the following important accounting and valuation policies.

**(II) Declaration of Compliance with the Enterprise Accounting Standards**

The financial statement prepared by the company meets the requirements of the enterprise accounting standards, and exactly and completely reflects the financial status, operation result and cash flow, etc of the company.

**(III) Accounting Period**

The company employs the period of the calendar days from the January 1 to December 31 each year as the accounting year.

**(IV) Currency Used in Book-keeping**

The Company takes the RMB as the currency in book-keeping.

**(V) Book-keeping Basis and Pricing Principles**

The accounting calculation of this company takes the accrual system as the book-keeping basis.

While making the calculation about accounting factors, in general, this company employs the historical cost. If the accounting factor amount to be determined may be obtained and reliably calculated, with respect to the individual accounting factors, the company employs the replacement costs, net realizable values, present values and fair values for calculation.

**(1) Calculation nature employed in this report period**

In the historical cost calculation, the assets are calculated based on the amounts of cash or cash equivalents paid for purchase or fair values of considerations paid for asset purchase; the liabilities are calculated based on the actually received incomes or asset amounts in performing the current obligations, or contract amounts to perform such current obligations, or the amounts of cash or cash equivalents that are expected to be needed for repaying the liabilities in the routine activities.

Except that the financial assets and saleable financial assets employ the fair values for calculation, the Items in this statement employ the historical costs for calculation.

**(2) Statement Items whose calculation natures have been changed during the report period**

During the report period, no calculation natures have been changed.

**(VI) Accounting Processing Method of Merger of enterprises which are under the same control and are not under the same control****(1) Merger of enterprises which are under the same control**

For the merger of enterprises which are under the same control, the assets and liabilities that are obtained by the merging party in the such merger will be measured at the book values of merged party on the merging date. The difference between the book values of net assets and book values of paid merger considerations (or total amount of book values of issued shares) will be supplemented by the capital reserve; in case the capital reserve is not enough, the remaining gains will be adjusted. All direct expenses occurring for enterprise merger, including the auditing expenses, evaluation expenses, legal service expenses paid for enterprise merger, are accrued to the current profit and loss at the time of occurrence.

## (2) Merger of enterprises which are not under the same control

For the merger of enterprises which are not under the same control, the merger cost will be the paid assets, existing liabilities and fair values of the issued equity securities on the purchasing date to purchase the control right of such enterprises on the purchase date. In case the enterprise merger is gradually realized in many transactions, the merger cost will be the sum of each individual transaction cost. All direct expenses related to the enterprise merger will be accrued to the current profit and loss (except the issuing expenses of bonds and equity instruments). The purchase date is the date when the company actually obtains the control right of purchased party.

In case the enterprise merger cost of purchasing party is more than the fair values of identifiable net assets of such enterprises, the difference will be confirmed as the goodwill in the consolidated balance sheet; in case the enterprise merger cost of purchasing party is less than the fair values of identifiable net assets of such enterprises, after the repeated checks still find the same fact, the difference will be accrued to the current profit and loss.

## **(VII) Preparation Method of Consolidated Financial Statements**

### (1) Determination of consolidation scope

The consolidated financial statements will be subject to the *No. 33 Enterprise Accounting Standards – Consolidated Financial Statement* that was issued by the Ministry of Finance in February 2006. The combination scope of the consolidated financial statement will be determined on the basis of the control; this financial statement consolidates the financial statements of this company, subcompanies and special objectives that are directly or indirectly controlled by the company. The control means that the company has the right to determine the financial and operation policies of invested units, and may obtain the benefits from the operation activities of this enterprise.

In case there are evidences indicating that the parent company cannot control the invested units, such units will not be included in the consolidated statement scope.

### (2) Disposal of purchasing or selling the shares of subcompanies.

The company confirms the date when the risks and rewards related to the purchase or sales of company shares actually transfer as the purchase date and selling date. For the subcompanies that are obtained or sold in the merger of enterprises which are not under the same control, the operation results and cash flow after the purchase date and before the selling date have been duly included in the consolidated profit statement and consolidated cash flow statement; for the subcompanies that are obtained in the merger of enterprises which are under the same control, the operation results and

cash flow from the beginning of current merger period to the merger date have been included in the consolidated profit statement and consolidated cash flow statement, and are separately listed; the comparison data of consolidated financial statements have also been adjusted.

For the long-term equity investment that is formed by purchasing the minority of company equities, in preparing the consolidated financial statements, the difference between the long-term equity investment for purchasing the minority of equities and amounts of net assets of company in the subcompanies that are continuously calculated at the newly added share-holding percentage from the purchase date (or merger date) will be adjusted as the owners' equities (capital reserve); if the capital reserve is not enough, the remaining gains will be adjusted.

(3) In case the accounting policies and accounting periods of subcompanies differ from those of parent company, the financial statements of subcompanies will be adjusted.

In case the accounting policies of subcompanies differ from those of the company, in preparing the consolidated financial statements, the company has made the appropriate adjustments about the financial statements of subcompanies in accordance with the accounting policies of this company; for the subcompanies that are obtained in the merger of enterprises which are not under the same control, the company has made the appropriate adjustments about the financial statements of subcompanies based on their identifiable assets, liabilities and fair values of contingent securities on the purchasing date.

(4) Consolidation methods

In preparing the consolidated financial statements, all key accounts and transactions between the company and subcompanies, subcompanies and subcompanies will be offset.

The net assets of merged subcompanies that are attributable to the minority of shareholder equities will be separately listed in the shareholder equities of consolidated financial statements. If the loss that is borne by the minority of shareholders in the subcompanies exceeds the shares of owners' equities at the beginning of the subcompanies, the balance will be offset by the minority of shareholder equities.

#### **(VIII) Determination Standard for Cash and Cash Equivalent**

In preparing the cash flow statement, the cash equivalents of the company include the investments with short period (it usually expires within three months from the purchase date), characteristics of high flow, easy conversion to the known amount of cash and little risk of value change. The equity investment will not be deemed as the cash equivalents.

#### **(IX) Calculation Method of Foreign Currency Business**

For the foreign currency transactions, the company employs the spot exchange rate (it normally means the intermediate price of foreign exchange rates issued by People's Bank of China, the same as below) on the current transaction day and convert them to RMB for book keeping.

On the preparation date of balance sheet, the foreign currency monetary items will be converted to RMB for book-keeping

in accordance with the spot exchange rate. The difference of spot exchange rates between the preparation date of the balance sheet and the initial confirmation on the previous date of the balance sheet will be accrued to the current profits and losses. The foreign currency non-monetary Items calculated with the historical cost method will be converted at the spot exchange rate on the transaction day and the amount of currency used in book-keeping will not be changed. The foreign currency non-monetary Items calculated at the fair values will be converted at the spot exchange rate on the transaction day, and the difference between the amount of currency used in book-keeping after the conversion and the amount of original currency used in book-keeping will be deemed as the change of fair values and be accrued to the current profits and losses.

#### **(X) Conversion of Financial Statement in Foreign Currency**

1. The asset and liability Items in the balance sheet will be converted at the spot exchange rate on the preparation date of balance sheet. Among the owners' equity Items, all Items except the "undistributed profit" Item will be converted at the spot exchange rate on the occurrence date.
2. The income and expense Items in the profit statement will be converted at the spot exchange rate on the occurrence date.

The conversion difference of financial statement in foreign currency caused by the above conversion will be separately listed in the owners' equity Item in the balance sheet.

3. The cash flow statement will be converted at the spot exchange rate on the occurrence date. The effect amount of exchange rate change on the cash will be the adjustment Item, and be separately listed in the cash flow statement.

#### **(XI) Confirmation and Calculation of Financial Instruments**

1. Classification. The financial instruments may be classified to five categories based on the investment purpose and economic essence:

- ① The financial assets or financial liabilities that are calculated in the fair values and whose changes are accrued to the current profit and loss, including the tradable financial assets or financial liabilities; the financial assets or financial liabilities that are designated to be calculated in the fair values and whose changes will be accrued to the current profit and loss;
- ② The investments that are held to the maturity dates;
- ③ Loans and accounts receivable;
- ④ Saleable financial assets;
- ⑤ Other financial liabilities.

2. Initial confirmation and subsequent calculation

- ① The financial assets or financial liabilities that are calculated in the fair values and whose changes are accrued to the current profit and loss: the fair values to get them will be the initial confirmation amount and the relevant transaction



expenses will be accrued to the current profit and loss at the time of occurrence. The cash dividends or bond interests in the payments that have been declared to be distributed will be separately confirmed as the receivable Items. The interests or cash dividends obtained during the holding period will be confirmed as the investment gains. On the preparation date of financial statement, the changes of fair values will be accrued to the current profit and loss.

② The investments that are held to the maturity dates: the sum of fair values and relevant expenses to get them will be deemed as the initial confirmation amount. The cash dividends or bond interests in the payments that have been declared to be distributed will be separately confirmed as the receivable Items. The interest incomes confirmed in accordance with the effective interest rate method during the holding period will be accrued to the investment gains.

③ Accounts receivable: the prices in the contracts and agreements with the purchasers will be the initial book-keeping amount. The company employs the actual interest method, and makes the subsequent calculation based on the amortized cost. The profits and losses after termination of confirmation, depreciation or amortization will be accrued to the current profit and loss.

④ Saleable financial assets: the sum of fair values and relevant expenses to get them will be deemed as the initial confirmation amount. The cash dividends or bond interests in the payments that have been declared to be distributed will be separately confirmed as the receivable Items. The interests and cash dividends generated during the holding period will be accrued to the investment gains. At the end of the period, the saleable financial assets will be calculated in the fair values and the changes of fair values will be accrued to the capital reserves (other capital reserves).

⑤ Other financial liabilities: the sum of fair values and relevant expenses to get them will be deemed as the initial book-keeping amount. The subsequent calculation will employ the amortized cost method. The profits and losses after termination of confirmation or amortization will be accrued to the current profit and loss.

### 3. Determination Method about Fair Values of Main Financial Assets and Financial Liabilities

① For the active financial assets or financial liabilities in the market, the quotations will be used for determination of their fair values.

② For the inactive financial instruments, the enterprises will employ the evaluation technology to determine their fair values.

③ The financial assets that are initially obtained or derived or financial liabilities will take the market transaction prices as the basis to determine their fair values.

④ In case the enterprise employs the discounted cash flow method to determine the fair values, the market return rates of other financial instruments with the essentially same contract terms and characteristics may be used as the discounting rate. In case the short-term accounts receivable without indicating the interest rate and current values of accounts payable have the very small price difference with the actual transaction prices, they will be calculated at the actual transaction prices.

### 4. Disposal of Financial Asset Depreciation

At the end of the period, in case enough evidences prove that all financial assets except those that are calculated in the fair values and whose changes are accrued to the current profit and loss have been depreciated, the depreciation reserve will be withdrawn based on the difference between the expected cash flow values in the future and the book values.

(1) Accounts receivable (including the accounts receivable and other accounts receivable)

Confirmation standard and withdrawal method of the bad debt reserve for accounts receivable with large individual amount:

Judgment basis or amount standard of large individual amount	Accounts accounting for over 10% of book values of accounts receivable
Withdrawal method of bad debt reserve for large individual amount	If the company makes the depreciation test and there are enough evidences proving that they have been depreciated, the bad debt reserve will be withdrawn based on the difference between the expected cash flow values in the future and the book values. If the company makes the depreciation test and finds that they have not been depreciated, the bad debt reserve will be withdrawn in the age analysis method in line with the credit risk combination.

Accounts receivable whose bad debt reserves are withdrawn based on the combination

Basis for combination determination	The age is taken the confirmation basis of credit risk combination
Withdrawal method to withdraw the bad debt reserve based on combination	Age analysis method

Withdrawal method to withdraw the bad debt reserve for accounts receivable with the age as the credit risk combination:

<u>Age</u>	<u>Withdrawal percentage of accounts receivable</u>	<u>Withdrawal Percentage of other accounts receivable</u>
Less than one year (including one year)	5%	5%
One to two years (including two years)	6%	6%
Two to three years (including three years)	20%	20%
Three to four years (including four years)	70%	70%
Four to five years (including five years)	90%	90%
Over five years	100%	100%

For the fund transfer between the companies within the consolidation scope, no bad debt reserve will be withdrawn.

While making the combination test, if there are the signs indicating that the recovery of some accounts receivable are obviously different from other accounts receivable at this age and

otherwise this cannot truly reflect the recovered amount if the bad debt reserve are withdrawn, the individual confirmation method will be employed for withdrawing the bad debt reserve.

Accounts receivable whose individual amount is not large but whose individual bad debt reserve is withdrawn

Basis for combination confirmation	The confirmation basis is that the individual amount is not large but the age is over 3 years.
Withdrawal method of bad debt reserve	The company makes the single depreciation test, and the bad debt reserve will be withdrawn based on the difference between the expected cash flow values in the future and the book values. If the company cannot accurately forecast the present value of cash flow in the future, the bad debt reserve will be withdrawn in the age analysis method in line with the credit risk combination.

For other accounts receivable (including the notes receivable, prepaid accounts, interests receivable and long-term accounts receivable, etc), the bad debt reserve will be withdrawn based on the difference between the expected cash flow values in the future and the book values.

For the accounts that cannot finally be recovered, report them for the approval of writing off such bad debts.

(2)The investments that are held to the maturity dates

For the investments that are held to the maturity dates, the depreciation test will be made based on numbers of packages of the individual or accounts receivable with similar credit risk characteristics. In case enough evidences prove that they have been depreciated, the depreciation loss will be confirmed and withdrawn based on the difference between the expected cash flow values in the future and the book values.

If the depreciation reserves are withdrawn for the investments that are held to the maturity dates, and enough evidences prove that their values have been restored and actually it is related to the facts after confirmation of such loss, the originally confirmed depreciation reserve will be reversed in case it does not exceed the amortized cost on the transfer date of such financial assets without withdrawing the depreciation reserve and will be accrued to the current profit and loss.

(3) Saleable Financial Assets

In case the fair values of saleable financial assets have greatly dropped, or after considering various relevant factors, this drop tendency is deemed as long-term, the depreciation reserve will be withdrawn based on the difference between the expected cash flow values in the future and the book values.

In case the saleable financial assets have been depreciated, the accumulated losses caused by the drop of fair values that have been accrued to the owners' equities will be transferred, and then the depreciation reserve will be confirmed and withdrawn.

For the saleable liability instruments whose depreciation loss has been confirmed, if their fair values during the subsequent accounting period have gone up and it is actually related to the facts occurring after the confirmation of original depreciation loss, the originally confirmed depreciation reserve will be reversed and accrued to the current profit and loss. The depreciation loss of the investments in saleable liability instruments will be reversed and accrued to the owners' equities.

## **(XII) Inventory Calculation Method**

### 1. Inventory Classification

Inventory classification: the inventories of the company mainly include the raw materials, packaging materials, products under production, products at stock, processing materials and low-value consumable products, etc.

2. The company employs the perpetual inventory method.

3. Pricing method in purchasing and delivery: The purchased inventories shall be accrued at the actual cost. The purchase and warehousing of various inventories in the company are priced based on the actual cost; The delivery of stock commodities shall be calculated by the weighted average method and the first-in first-out method; while the low-value consumable products and packaging materials are taken, they will be accrued to the cost at one time.

### 4. Confirmation standard and withdrawal method of inventory depreciation reserve

After the complete check about the inventories at the end of the period, the inventory depreciation reserve will be withdrawn or adjusted based on the lower between the inventory cost and discountable net value. The discountable net value will be determined after the deduction of the possible cost, marketing expense and relevant taxes from the current evaluation of inventories in the normal production and operation period. Normally, the inventory depreciation reserve will be withdrawn in accordance with the individual inventory item, but for the large quantity of low-unit-price inventories, the inventory depreciation reserve will be withdrawn in accordance with the inventory type; for the inventories that are related to the product series produced and sold in the same area, have the same or similar final usage and purposes and are hard to be separately calculated from other items, their depreciation reserves will be consolidated.

On the preparation date of balance sheet, in case the impact factors of the withdrawn inventory depreciation reserve disappear, the deducted inventory values will be restored and reversed in the originally withdrawn inventory depreciation reserve; the transferred amount will be accrued to the current profit and loss.

## **(XIII) Long-term Equity Investment**

### 1. Initial Calculation

(1) Long-term equity investment caused by the enterprise merger

① In case the long-term equity investment are made to obtain the equities of the enterprises under the same control and the company pays the cash, transfers the non-cash assets or bears the liabilities as the consideration for the merger, the book value share on the merging date to obtain the owners' equities of the merging party will be deemed as the initial

investment cost of long-term equity investment. The difference between the initial investment cost of long-term equity investment and paid cash, transferred non-cash assets and book values of liabilities will be supplemented by the capital reserve; in case the capital reserve is not enough, the remaining gains will be adjusted. In case the company issues the equity securities as the merger consideration, the book value share on the merging date to obtain the owners' equities of the merging party will be deemed as the initial investment cost of long-term equity investment. If the book value amount of the issued shares is deemed as the capital, the difference between the initial investment cost of long-term equity investment and the book value amount of the issued shares will be supplemented by the capital reserve; in case the capital reserve is not enough, the remaining gains will be adjusted. All direct expenses related to the enterprise merger, including the auditing expense, evaluation expense, legal service expense, etc will be accrued to the current profit and loss.

② In case the long-term equity investment are made to obtain the equities of the merging enterprises which are not under the same control, the merger cost will be the paid assets, existing liabilities and fair values of the issued equity securities on the purchasing date to purchase the control right of such enterprises. In case the absorption merger method is employed, the difference between the enterprise merger cost and the identifiable net asset values of such enterprises will be confirmed as the goodwill or accrued to the current profit and loss. In case the controlling merger is employed and the enterprise merger cost is more than the identifiable net asset values of such enterprises in the merger, the difference between them will be confirmed as the goodwill in the consolidated balance sheet. In case the enterprise merger cost is less than the identifiable net asset values of such enterprises in the merger, the difference between them will be accrued to the current profit and loss. All direct expenses related to the enterprise merger will be accrued to the enterprise merger cost (except the issuing expenses of bonds and equity instruments).

## (2) Other types of long-term equity investment

① In case the cash investment is made to obtain the long-term equity, the actual payment amount will be deemed as the initial investment cost. The initial investment costs also include the direct expenses related to the long-term equity investment, taxes and other necessary expenses.

② In case the long-term equity investment is made by issuing the equity securities, the fair values of issued equity securities will be deemed as the initial investment cost.

③ For the long-term equity investment made by the investors, the values agreed in the investment contracts or agreements will be deemed as the initial investment cost, except that the contracts or agreements provide that the values are not fair.

④ In case the long-term equity investment is made by exchanging the non-currency assets, and this exchange has the commercial substance and the fair values of said assets can be reliably calculated, the fair values of the assets and relevant taxes will be deemed as the initial investment cost; the difference between the fair values of the assets and book values will be accrued to the current profit and loss; in case the non-currency asset exchange does not have the above

two conditions, the book values of the assets and relevant taxes will be deemed as the initial investment cost.

⑤ In case the long-term equity investment is made by the mode of liability restructure, the fair values of the obtained equities will be deemed as the initial investment cost; the difference between the initial investment cost and book values of liabilities will be accrued to the current profit and loss.

## 2. Subsequent Calculation

(1) The cost method is employed to calculate the long-term equity investment of subcompanies and will be adjusted in accordance with the equity method in the preparation of the consolidated financial statements.

(2) The cost method is used to calculate the long-term equity investments in the invested units which are not under the common control or of important impact, are not quoted in the active market or whose fair values cannot be reliably calculated. In employing the cost method, add or return the cost used for adjusting the long-term equity investment. The current investment gains are only limited to the distributed amount of accumulative net profit generated by the investment in the invested units since the investment completion. The profits or cash dividends exceeding the above amount that are declared to be distributed by the invested units will be deemed as the return of initial investment cost, deducting the book values of investments.

(3) The equity method is used to calculate the long-term equity investments in the invested units, which are under the common control or of important impact. In employing the cost method, in line with the net profit and loss share of invested units to be distributed or borne, confirm the profit and loss of investments and adjust the book values of long-term equity investments. The profit and loss of current investment will be the net profit or net loss share of invested units to be distributed or borne in the current year. In confirming the net loss of invested units to be borne, the limit is the zero of book values of investment (except that the investment enterprises bear the obligations for additional loss); in case the invested units make the net profits in the future and the distribution amount of gains exceeds the unconfirmed loss amount, the book values of investment will be restored subject to the unconfirmed loss amount to be borne.

(4) In case the invested units employs the different accounting policies and accounting periods from the investment enterprises, the accounting policies and accounting periods of the investment enterprises will be employed to adjust the financial statements of invested units and confirm the investment gains. As regards the other changes of owners' equities except the net profit and loss of the invested units, the investment units will adjust the book values of long-term equity investments and accrue them to the owners' equities.

(5) In disposing of the long-term equity investment, the difference between the book values and actual payments will be accrued to the current profit and loss. In case the equity method is employed to calculate the long-term equity investment

and the other changes of owners' equities except the net profit and loss of the invested units are accrued to the owners' equities, the part that has been accrued to the owners' equities will be proportionally transferred to the current profit and loss.

### 3. Confirmation standard and withdrawal method of depreciation reserve for long-term equity investment

In case the cost method is used to calculate the long-term equity investments which are not quoted in the active market or whose fair values cannot be reliably calculated, the depreciation loss will be determined based on the difference between the book values and current values determined by the discounting of future cash flow in line with the current market return rate of similar financial assets. For the other long-term equity investments, in case the calculation results of receivable amounts indicate that the receivable amount of this long-term equity investment is less than their book values, the difference will be confirmed as the asset depreciation losses. Once the depreciation loss of long-term equity investment is confirmed, they will not be reversed.

## **(XIV) Real Estate for Investment**

The real estates for investment refer to the real estates that are held for the purpose of earning the rent or capital increment, or for both of them, including the land use rights that have been rented or will be transferred after the value increment, or the structures that have been rented.

The company employs the cost mode to calculate the current real estates for investment and withdraws the depreciation or amortization in accordance with the same depreciation or amortization policies of fixed assets and intangible assets in the company. In case the real estates for investment are transferred to other assets or other assets are transferred to the real estates for investment, the book values of real estates before the transfer will be the book values after the transfer. In case the company sells, transfers and rejects the real estates for investment or the real estates for investment are damaged, the remaining amount after the deduction of book values and relevant taxes from disposal incomes will be accrued to the current profit and loss. In case the received amount is less than the book values, the depreciation reserve will be withdrawn based on the difference between the receivable amount of individual real estate for investment and their book values; Once the depreciation losses are withdrawn, they will not be reversed.

## **(XV) Fixed Asset Pricing and Depreciation Method**

### 1. Confirmation condition for fixed assets

The fixed assets refer to the tangible assets with the usage life of over one accounting year that are held for commodity production, labor provision, renting or operational management. The fixed assets will be confirmed if they meet the following conditions:

- (1) The economic benefits related to this fixed asset probably flow to the enterprise;
- (2) The cost of this fixed asset may be reliably calculated.

### 2. Classification of Fixed Assets

The fixed assets may be classified into the following Items: houses and buildings, machine equipments, transportation equipments, electronic equipment and others.

### 3. Calculation of fixed assets

The actual costs of fixed assets will be deemed as the initial calculation amount.

(1) In case the prices to purchase the fixed assets exceed the normal credit conditions and cause the payment deferment and are characteristic of the financing nature, the costs of fixed assets will be determined based on the current values of purchase prices.

(2) In case the fixed assets are obtained by the liability restructure to write off the liabilities of debtors, their book values will be determined based on the fair values of this fixed asset. The difference between the book values of restructuring liabilities and the fair values of this fixed asset will be accrued to the current profit and loss. In case the non-currency asset exchange is characteristic of commercial substance and the fair values of received or delivered assets can be reliably calculated, the book values of received fixed assets in the non-currency asset exchange will normally be determined based on the fair values of delivered assets, except that the accurate evidences indicate that the fair values of received assets are more reliable. In case any non-currency asset exchange does not meet the above conditions, the book values of delivered assets and the payable taxes will be deemed as the costs of received fixed assets. No profit and loss will be confirmed.

(3) The book values of fixed assets to be obtained by the absorption merger from the enterprises which are under the same control will be determined based on the book values of merging party; the book values of fixed assets to be obtained by the absorption merger from the enterprises which are not under the same control will be determined based on their fair values.

The rejection expenses of fixed assets will be calculated and accrued to the book values of fixed assets based on the current values.

In case the subsequent payments related to the fixed assets make the economic benefits generated by the inflow of this fixed asset to the enterprise exceed the original evaluations, the exceeding part will be accrued to the book values of fixed assets. The increased amount will not exceed the receivable amount of this fixed asset.

4. The depreciation method of fixed assets: the average life method is used to calculate the depreciation of fixed assets in the company from the next month after such fixed assets meet the expected usable conditions. The depreciation life, annual depreciation rate and assessed residual value rate of various fixed assets are listed as follows:

<u>Fixed Asset category</u>	<u>Depreciation life (years)</u>	<u>Annual depreciation rate</u>	<u>Assessed residual value rate</u>
Houses and buildings	20	4.5%-4.75%	5%-10%



Machine equipments	10	9%-9.5%	5%-10%
Transportation equipments	5	18%-19%	5%-10%
Electronic equipment and others	5	18%-19%	5%-10%

5. Confirmation about the depreciation reserve of fixed assets: at the end of each period, the company will judge if relevant assets have any signs of possible depreciation. If so, the company will evaluate the receivable amount. The receivable amount will be determined based on the larger one between the net amount after the deduction of disposal expenses from the fair values of this asset and the current values of expected cash flow of this asset in the future. If the receivable amount of this asset is less than the book values, the difference will be confirmed as the depreciation loss of assets. The depreciation reserves of fixed assets will be withdrawn subject to the individual asset. Once the depreciation losses of assets are confirmed, they will not be reversed in the future accounting period.

In withdrawing the depreciation for the fixed assets whose depreciation reserves have been withdrawn, based on the book values of this fixed asset and the remaining usage life, the depreciation rate and depreciation amount will be calculated and determined once again. The fixed assets whose depreciation reserves have been fully withdrawn will not be withdrawn once again.

**(XVI) Calculation Method of Projects under Construction**

1. Classification of projects under construction

The projects under construction will be calculated based on the classification of proposed projects.

2. Transfer time of projects under construction to fixed assets

For the projects under construction, all expenses occurring before they are ready for the use will be the book values as the fixed assets. In case the projects under construction has been ready for use but the final accounts for completion have not been handled, from the date when such projects has been ready for use, the company will evaluate the values and determine the costs based on the project budgets, prices or actual costs of projects, etc and the depreciation amount will also be withdrawn; when the final accounts for completion are handled, the company will adjust the originally evaluated values subject to the actual costs, but will not adjust the withdrawn depreciation amount.

3. Depreciation of projects under construction: at the end of the period, the company will judge if the depreciation reserves are withdrawn based on the depreciation signs of such projects. In case the projects that have been stopped for a long time and will not be rebuilt within three years are expected to be depreciated, the depreciation reserves for such projects will be withdrawn for the difference amount between the receivable amount and the book values. Once the depreciation

reserves for such projects are withdrawn, they will not be reversed.

#### **(XVII) Loan expense**

1. In case the loan expenses occurring in the company may directly be attributable to the construction and productions of assets complying with the capitalization conditions , they will be capitalized and accrued to the relevant capital costs; other loan expenses will be confirmed as the expenses based on the actual amount in the time of occurrence and accrued to the current profit and loss. The assets complying with the capitalization conditions mean the assets such as fixed assets, real estates for investment and inventory, etc that need a long time of construction and production activities before being ready for use or for sales. The loan expenses begin to be capitalized under the following circumstances:

(1) The asset payments that have been made include the payments such as the paid cashes, transferred non-currency assets or borne liabilities with the interests to construct or produce the assets complying with the capitalization conditions;

(2) The loan expenses have occurred;

(3) The necessary construction or production activities to make the assets ready for use or sales have been launched.

2. During the capitalization period, the capitalized amounts of interests (including the amortization of discounting or premium) during each accounting period will be determined in accordance with the following provisions:

(1) For the special loans that are borrowed to construct or produce the assets complying with the capitalization conditions, the company will determine capitalized amounts by deducting the interest incomes generated from the depositing of unused loan capitals in the banks or the investment returns from temporary investments from the interest expenses occurring in the current period of special loans.

(2) For the general loans that are used to construct or produce the assets complying with the capitalization conditions, the interest amount of general loans to be capitalized will be determined by multiplying the weighed average amount of the asset payments by which the accumulated assets exceed the special loans with the capitalization rate of general loans. The capitalization rate will be determined based on the weighed average interest rate of general loans. The capitalization period means the period from the starting time to ending time of the loan expense capitalization, and the period in which the loan expense capitalization is suspended will not be included.

3. In case the loans have the discounts or premiums, the company will adjust the interest amount in each period based on the amortized discount and premium amounts in each accounting period in accordance with the effective interest rate method.

4. During the capitalization period, the company will capitalize the difference between foreign exchanges about the principals and interests of special foreign currency loans, and accrue it to the asset costs

complying with the capitalization conditions.

5. The capitalization of loan expenses for the assets complying with capitalization conditions that have been constructed or produced and are ready for use or sales will be stopped. The loan expenses occurring after the assets complying with capitalization conditions are ready for use or sales will be confirmed as the expenses based on the actual amounts and be accrued to the current profit and loss.

#### **(XVIII) Biological assets**

##### 1. Confirmation standard and classification of biological assets

The biological assets of company are the consumable biological assets such as the Chinese traditional medicines, etc.

The biological assets of company will be initially calculated based on the cost. The costs of purchased biological assets include the purchase prices, relevant taxes, insurance expenses and other expenses which may be directly attributable to the purchase of such assets. For the biological assets of investors, the values specified by the investment contracts or agreements plus the payable taxes will be the book-keeping values of biological assets. However, if the values specified by contracts or agreements are not fair, the actual costs will be determined based on the fair values. The self-made consumable biological assets, including the necessary expenses such as the forest expenses before coverage, alimony, operational equipment expenses, testing expense of good species, investigation and design expenses, capitalized interests and amortized indirect expenses. The subsequent expenses for the management and protection or for the breeding of a biological asset after coverage or after the accomplishment of the expected objective of production and operation will be included in the current profit and loss.

For the consumable biological assets, the company will calculate the costs based on the book values at the time of cutting, and the method for calculating the cost will employ the weighed average method.

##### 2. Testing method of biological assets depreciation and withdrawal method of depreciation reserve

The company will check the consumable biological assets at least at the end of each year. If obvious evidences indicate that the net realizable value of consumable biological assets or receivable amounts of production biological assets is less than their book values for the reasons of natural calamities, disease and insect pest, infection of animal diseases or changes about market demands, etc, and the depreciation reserve of biological assets will be withdrawn based on the difference between the net realizable values or receivable amounts and book values, and be accrued to the current profit and loss.

If the impact factors of consumable biological asset depreciation disappear, the deducted amounts will be recovered, and the originally withdrawn depreciation reserve amounts will be reversed and the reversed amounts will be accrued to the current profit and loss.

#### **(XIX) Calculation Method of Intangible Assets**

##### 1. Confirmation condition of intangible assets

The intangible assets mean the identifiable non-currency assets without the actual substance status that

are owned or controlled by the enterprises. Only the intangible assets meeting the following conditions will be confirmed:

- (1) The economic benefits related to this intangible asset probably flow to the enterprise;
- (2) The cost of this fixed asset may be reliably calculated.

## 2. Pricing of intangible assets

The intangible assets will be originally calculated based on the actual costs.

(1) In case the prices to purchase the intangible assets exceed the normal credit conditions and cause the payment deferment and are characteristic of the financing nature, the costs of intangible assets will be determined based on the current values of purchase prices

(2) In case the intangible assets are obtained by the liability restructure to write off the liabilities of debtors, their book values will be determined based on the fair values of this intangible asset. The difference between the book values of restructuring liabilities and the fair values of this intangible asset will be accrued to the current profit and loss. In case the non-currency asset exchange is characteristic of commercial substance and the fair values of received or delivered assets can be reliably calculated, the book values of received intangible assets in the non-currency asset exchange will normally be determined based on the fair values of delivered assets, except that the accurate evidences indicate that the fair values of received assets are more reliable. In case any non-currency asset exchange does not meet the above conditions, the book values of delivered assets and the payable taxes will be deemed as the costs of received intangible assets. No profit and loss will be confirmed.

(3) The book values of intangible assets to be obtained by the absorption merger from the enterprises which are under the same control will be determined based on the book values of merging party; the book values of intangible assets to be obtained by the absorption merger from the enterprises which are not under the same control will be determined based on their fair values.

## 3. Usage life and amortization of intangible assets

In obtaining the intangible assets, the company will analyze and judge their usage life. In case their usage life is limited, the company will evaluate the usage years or the quantity of calculation units such as the capacity constituting the usage life; in case it's impossible to evaluate the usage life when the intangible assets bring the benefits to enterprises, it will be deemed that the usage life of such intangible assets is uncertain.

Amortization method of intangible assets: for the intangible assets with the limited usage life, the average amortization amount in the usage life will be accrued to the profit and loss. For the intangible assets with the uncertain usage life, no amortization will be made. At the end of each year, the company will recheck the usage life of intangible assets with the

limited usage life and amortization method. In case the usage life and amortization method are different from the original ones, the amortization life and method after the recheck will be employed.

4. The depreciation of intangible assets will be handled in accordance with the accounting policies about asset depreciation. Once the depreciation losses of intangible assets are confirmed, they will not be reversed in the future accounting period.

#### **(XX) Research and Development Expenses**

The expenses for the research and development of projects in the company include the expenses for the research stage and development stage.

The expense for the research stage means the expense occurring for the planned investigations of the company about the innovative exploration in order to obtain and understand the latest science and technical knowledge, which are the preparations made for the further development activities; whether the already done research activities will be transferred to the development or the development will turn to the intangible assets has a lot of uncertainty.

The expense for the development stage means the expense occurring to apply the research results or other knowledge to a certain plan or design and produce the new or substantially improved materials, equipments and products, etc before the launch of commercial production and use. Compared with the research stage, the development stage comes on the basic condition that the research stage work is completed and has greatly turned to a new product or technology.

The expense in the research stage of projects in the company will be accrued to the current profit and loss in the time of occurrence; the expense in the development stage will be confirmed as the intangible assets if the following conditions are met:

1. The completion of this intangible asset will make it have the feasibility to be able to be used or sold.
2. Complete this intangible asset for the purpose of use and selling.
3. The means by which the intangible assets bring the economic benefits.
4. Have enough technical and financial resources and other supports to complete the development of this intangible asset and be able to use and sell this intangible asset.
5. The expense attributable to the development stage of this intangible asset can be reliably calculated.

#### **(XXI) Amortization Method of Long-term Amortization Expenses**

The overhaul payment of fixed assets in the company will be averagely amortized during the overhaul interval; other long-term amortization expenses will be averagely amortized during the benefiting period.

#### **(XXII) Asset Depreciation**

1. Definition of asset depreciation

The asset depreciation means that the receivable amount of assets is less than their book values. On the preparation date of balance sheet, the company will judge if relevant assets have any signs of possible depreciation. If so, the company will evaluate the receivable amount. In case the receivable amount of assets is less than their book values, such book values will be deducted to the receivable amount and the deducted amount is confirmed as the depreciation loss of assets and accrued to the current profit and loss; at the same time, the relevant depreciation reserves of assets will be withdrawn. Once the depreciation losses of assets are confirmed, they will not be reversed in the future accounting period. After the confirmation of depreciation losses of assets, the depreciation or amortization expenses of assets will be adjusted in the future period so that in the remaining usage life of this asset, the company will systemically amortize the adjusted book values of assets. The following signs indicate that the assets are possibly depreciated:

- (1) The market prices of assets drop greatly and the drop extent is clearly higher than the expected drop for the time passage or normal use.
- (2) The economic, technical or legal environments and markets where the company is operating are greatly changing in the current period or in the near future, which will exercise the unfavorable impacts on the company.
- (3) The interest rate or other investment return rate in the market have been enhanced in the current period, which will influence on the calculation of the discounting rate of cash flow values in the future and lead to the great decrease of receivable amount of assets.
- (4) The evidences indicate that the assets have been too old or the substances have been damaged.
- (5) The assets have been or will be left unused, stopped to be used or planned to be disposed in advance.
- (6) The evidences from the internal reports in the company indicate that the economic performance of assets have been or will be less than the expected performance. For example, the net cash flow or operating profits (or losses) created by the assets are greatly less (more) than the expected amounts, etc.
- (7) Other signs that indicate the assets may possibly be depreciated.

## 2. Determination of depreciation loss of assets

- (1) At the end of the period, the company will inspect the long-term equity investment, fixed assets, projects under construction, intangible assets and goodwill, etc to judge if there are any signs of possible depreciation. For the goodwill caused by the enterprise merger and the intangible assets with the uncertain usage life, whether there are signs of possible depreciation, the depreciation tests will be made each year.
- (2) If the assets have any signs of possible depreciation, the company will evaluate the receivable amount. The receivable amount will be determined based on the larger one between the net amount after the deduction of disposal expenses from the fair values of this asset and the current values of expected cash flow of this asset in the future. If the receivable amount of this asset is less than the book values, such book values will be deducted to the receivable amount and the

deducted amount is confirmed as the depreciation loss of assets and accrued to the current profit and loss. The depreciation tests of goodwill and its relevant asset groups (or asset group combination, the same below) will be made. The goodwill reflected in the consolidated financial statement will not include the goodwill of subcompany attributable to the equity for the minority of shareholders; but the tests of the depreciation about relevant asset groups will include the goodwill attributable to the equity for the minority of shareholders; the company will adjust the book values of asset groups and compare the adjusted book values of asset groups with their receivable amounts to determine if the asset groups (including the goodwill) are depreciated. If so, the company will deduct the equity share of the minority of shareholders from the above losses to determine the depreciation losses of goodwill attributable to the parent company. Once the depreciation losses of assets such as the long-term equity investment, the real estates for investment calculated by the cost mode, fixed assets, intangible assets and goodwill are confirmed, they will not be reversed in the future accounting periods.

### 3. Calculation method of asset group

(1) Generally, the company will evaluate the receivable amount subject to the individual asset. In case the receivable amount of individual asset cannot be evaluated, the receivable amount of asset groups will be determined based on the asset groups containing this asset. The determination of asset groups will be based on whether the main cash inflow generated by the asset groups are independent from other assets or cash inflow of asset groups; at the same time, it's necessary to consider the production and operation management mode of the company and the policy-deciding mode about the continuous use or disposal of assets, etc. Once the asset groups are determined, they will not be changed in each accounting period.

(2) The receivable amount of asset groups will be determined based on the larger one between the net amount after the deduction of disposal expenses from the fair values of this asset group and the current values of expected cash flow in the future.

(3) If the receivable amount of the asset group or asset group combination is less than the book values, the relevant depreciation loss will be confirmed. The depreciation loss amount will at first write off the book values of goodwill that are amortized to the asset groups or asset group combinations, then based on the percentage of book values of various other assets except the goodwill in the asset groups or asset group combination, write off the book values of various other assets in the above proportion.

### **(XXIII) Confirmation Principle of Expected Liabilities**

#### 1. Confirmation Principle of Expected Liabilities

The obligations related to contingent events that meet the following conditions at the same time will be confirmed as the liabilities:

- (1) This obligation is the current obligation of the company;
- (2) The performance of this obligation will probably cause the economic benefits to flow out of the company;
- (3) The amount of this obligation can be reliably calculated.

In case the loss contracts and restructuring obligations of the company meet the above conditions, they will be confirmed as the expected liabilities.

## 2. Determination method about optimum evaluation amount of expected liabilities

In case the necessary payments have a amount scope, the optimum evaluation amount will be determined based on the average amount between the upper and lower limits of amounts; in case the necessary payments do not have such a amount scope, the optimum evaluation amount will be determined in the following method:

- (1) If the contingent events involve the individual project, the optimum evaluation amount will be determined based on the possible amount;
- (2) If the contingent events involve many projects, the optimum evaluation amount will be determined based on the possible amount and occurrence probability. In case all or parts of payments about the confirmed liquidation liabilities are expected to be compensated by the third parties or other parties and the compensation amount are surely received, such amounts will be separately confirmed. The confirmed compensation amounts will not exceed the book values of confirmed liabilities.

### **(XXIV) Repurchase of company shares**

If, after obtaining the approval in accordance with the legal procedures, the company reduces the share capitals by repurchasing the company shares, the share capitals will be reduced based on the total book values of cancelled shares; the owners' equities will be adjusted based on the differences between the prices (including the transaction expenses) paid to repurchase the shares and book values of shares; the remaining amount exceeding the total book values will be offset against the capital reserve (share premium), surplus reserve and undistributed profit in sequence; if the prices are less than the total book values, the amounts less than total book values will be compensated by adding the capital reserve (share premium).

Before the shares repurchased by the company are cancelled or transferred, they will be managed as the inventory shares; all payments to repurchase the shares will be transferred to the costs of inventory shares.

In transferring the inventory shares, if the incomes from such transfers exceed the costs of inventory shares, the remaining incomes will be added to the capital reserves (share premiums); if the incomes from such transfers are less than the costs of inventory shares, the part less than such costs will be offset against the capital reserves (share premiums), surplus reserve and undistributed profit in sequence.



**(XXV) Confirmation Principle of Income**

## 1. Commodity sales

## (1) General principle

The company has transferred the main risks and rewards about commodity ownership to the purchasers; the company does not reserve any continuous management rights normally related to the ownership nor performs any effective control about the sold commodities; the income amounts will be reliably calculated; the relevant economic benefit will probably flow into the enterprise; in case the relevant costs that have occurred or will occur may be reliably calculated, the achievement of operating incomes will be confirmed.

## (2) Concrete method

If the company sells the commodities by the mode of sales, the company will sign the sales contracts with the distributors, and after receiving the orders from the distributors and shipping the commodities, the company will issue the invoice and confirm the sales income.

## 2. Provision of labors

In case on the preparation date of balance sheet the results about labor provision transaction can be reliably evaluated, the labor income will be confirmed by the completion percentage method. Based on the actual situation, the completion progress of labor provision will be determined in the following methods:

(1) Measurement about the work that has already been completed.

(2) The percentage of the provided labors in the total labor capacity.

(3) The percentage of the occurring costs in the total costs.

The company will determine the total amount of labor provision based on the prices in contracts and agreements that have been received or will be receivable, except that such prices are not fair. On the preparation date, the current labor incomes will be determined based on the amount after the total labor income amount multiplied by the completion progress deducts the accumulated labors in the past accounting periods.

In case the labor transaction results on the preparation date of balance sheet cannot be reliably evaluated, they will be handled by the following means:

(1) In case the labor costs that have occurred can be compensated, the labor income will be confirmed based on such labor costs and the same amounts will be settled as the labor costs.

(2) In case the labor costs that have occurred cannot be compensated, such labor costs will be accrued to the current profit and loss and will not be confirmed as the labor costs.

## 3. Use right of transferred assets

In case the economic benefits related to the transaction will probably flow into the enterprise and the income amounts can

be reliably calculated, the company will determine the income amount about use right of transferred assets by the following means:

(1) The interest income amount will be calculated and determined based on the use time of currency capital from the company by others and effective interest rate.

(2) The income amount of use expenses will be calculated and determined subject to the charging time and method agreed in the relevant contracts and agreements.

#### **(XXVI) Governmental allowance**

1. Confirmation principle: only the governmental allowance meeting the following conditions will be confirmed:

(1) The enterprises can meet the relevant conditions required by the governmental allowance;

(2) The enterprises can receive the governmental allowance.

2. Calculation: If the governmental allowances are the monetary assets, they will be calculated at the received or receivable amounts. If the governmental allowances are the non-monetary assets, they will be calculated at the fair values; if the fair values are not reliably given, they will be calculated at the nominal amounts.

3. Accounting processing: the governmental allowances related to assets will be confirmed as the deferred gains, be averagely distributed in the usage life of relevant assets, and be accrued to the current profit and loss. The governmental allowances calculated in the nominal amounts will be directly accrued to the current profit and loss.

The governmental allowances related to gains will be separately processed in the following cases:

(1) The governmental allowances that are used to compensate the relevant expenses and losses of enterprises in the future periods will be confirmed as the deferred gains, and be accrued to the current profit and loss in the confirmed periods of relevant expenses.

(2) The governmental allowances that are used to compensate the relevant expenses and losses of enterprises that have occurred will be accrued to the current profit and loss.

#### **(XXVII) Confirmation about deferred income tax assets and liabilities**

Based on the differences between the book values of assets and liabilities and taxation basis (for the items that have not been confirmed as the assets and liabilities, if their taxation basis may be determined in accordance with the taxation provisions, the difference between such taxation basis and their book values will be applied), the deferred income tax assets or deferred income tax liabilities will be confirmed at the applicable tax rate during the expected periods of returning such assets or settling such liabilities.

The company will confirm the deferred income tax assets generated by the deductible temporary difference within the limit of taxable income amount that may be obtained and used to deduct such difference. On the preparation date of balance sheet, if enough evidences prove that the taxable income amounts that may be probably obtained in the future periods may be used to deduct the deductible temporary differences, they will be confirmed as the deferred income tax assets that have not been confirmed in the previous accounting periods.

On the preparation date of balance sheet, the company will recheck the book values of deferred income tax assets. If the taxable income amounts cannot be obtained in the future periods to be used to deduct the benefits of deferred income tax assets, the company will reduce the book values of deferred income tax assets. If there is great possibility to obtain enough taxable income amounts, the reduced amounts may be reversed.

#### **(XXVIII) Accounting Processing Method of Income Tax**

The accounting processing of income tax in the company employs the balance sheet liability method.

##### 1. Confirmation of deferred income tax assets

(1) The company will confirm the deferred income tax assets generated by the deductible temporary difference within the limit of taxable income amount that may be obtained and used to deduct such difference. But, at the same time, the deferred income tax assets generated by the initial confirmation of assets or liabilities in the transactions with the following characteristics will not be confirmed:

- ① This transaction is not the enterprise merger;
- ② The occurrence of transactions will not affect the accounting profits nor affect the taxable income amount (or the deductible loss).

(2) In case the deductible temporary difference related to the investments in the subcompany, affiliated companies and joint ventures by the company meet the following conditions at the same time, they will be confirmed as the corresponding deferred income tax assets:

- ① The temporary difference will probably be reversed in the foreseeable future;
- ② The taxable income tax amount that is used to deduct the temporary difference will probably be obtained in the future.

(3) If the company can settle the deductible loss and tax deduction in the coming years, the company will confirm the relevant deferred income tax assets within the limit of taxable income amount in the future that may be obtained and used to deduct such deductible loss and tax deduction.

##### 2. Confirmation of deferred income tax liabilities

Except the deferred income tax liabilities generated by the following cases, the company will confirm the deferred income

tax liabilities generated by the all taxable temporary difference.

(1) Initial confirmation of goodwill;

(2) Initial confirmation of assets or liabilities generated by the transactions complying with the following characteristics at the same time:

① This transaction is not the enterprise merger;

② The occurrence of transactions will not affect the accounting profits nor affect the taxable income amount (or the deductible loss).

(3) The taxable temporary difference related to the investments in the subcompany, affiliated companies and joint ventures by the company meet the following conditions at the same time:

① The investment enterprises can control the reversion time of temporary difference;

② The temporary difference will not probably be reversed in the foreseeable future.

### 3. Calculation of income tax expenses

The company will accrue the current income taxes and deferred income taxes to the current profit and loss as the income tax expenses and benefits, but will not include the income taxes generated in the following cases:

① Enterprise merger;

② Transactions or Items that are directly confirmed in the owners' equities.

### (XXIX) Accounting Policies, Accounting Evaluation Changes and Correction of Accounting Errors

During this period, the company has not made any changes about accounting policies and accounting evaluation or any correction of accounting errors.

## III. Taxes

The applicable tax items and tax rate of the company are listed as follows:

<u>Tax Item</u>	<u>Taxation Basis</u>	<u>Tax Rate</u>
Value-added tax	Sales income of products and materials	The value-added tax rate for selling and the biological preparations is 6%, and the value-added tax rate for selling the other products is 17%.
Sales tax	Taxable sales income	5%
Urban maintenance and construction tax	Payable circulating tax amount	5%、7%

Educational surtax	Payable circulating tax amount	3%
Local educational surtax	Payable circulating tax amount	Note 1
Enterprise income tax	Payable income tax amount	Note 2

Note 1: the company and subcompanies that are registered in Zhuhai will pay the local educational surtax at 2% of payable circulating tax amount; the other subcompanies will pay the local educational surtax at the payable circulating tax amount in accordance with the regulations of its registration place.

Note 2: the enterprise income tax rates will be subject to the following regulations:

<u>Company Name</u>	<u>Actual</u> <u>Tax Rate</u>	<u>Note</u>
Livzon (Hongkong) Co., Ltd and Hongkong Antao Development Limited	16.5%	The policies about enterprise income taxes in Hongkong area will be applied.
Macau Jiaanxin Limited and Livzon (Macau) Limited	0-12%	Progressive tax rate, and the tax rate for those with taxable incomes of over MOP300000 is 12%.
Livzon Pharmaceutical Group Inc.、Limin Pharmaceutical Co., Ltd under Livzon Group、Livzon Pharmaceutical Factory under Livzon Group、Livzon Syntpharm Co., Ltd in Zhuhai Bonded Area、Shanghai Livzon Pharmaceutical Co., Ltd、Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group、Sichuan Guangda Pharmaceutical Co., Ltd、Zhuhai Livzon Reagent Co., Ltd、and Fuzhou Fuxing Pharmaceutical Co., Ltd under Livzon Group	15%	Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group、Zhuhai Livzon Reagent Co., Ltd was granted as the hi-tech enterprises in 2010, and other companies were granted as the hi-tech enterprises in 2011; the validity period is 3 years.
Other subcompanies	25%	

#### IV. Enterprise Merger and Consolidated Financial Statements

##### (I) Subcompanies that are obtained by the establishment or investment, etc

Subcompany Name	Subcompany type	Registered place	Business nature	Registered capital	Operation scope
Antao Development Limited	Wholly-owned subcompany	Hongkong	Investment	HKD 0.5 million	
Livzon (Hongkong) Co., Ltd	Wholly-owned	Hongkong	Investment	HKD 61 million	

Subcompany Name	Subcompany type	Registered place	Business nature	Registered capital	Operation scope
	subcompany				
Zhuhai Modern Chinese Medicine Hi-tech Co., Ltd	Wholly-owned subcompany	Zhuhai City	Service industry	RMB 6 million Yuan	Research and development of Chinese medicines and Chinese medicine technologies and equipments; technical service and consultancy
Livzon Pharmaceutical Factory under Livzon Group	Wholly-owned subcompany	Zhuhai City	Pharmaceutical production	RMB 442.10930913 million Yuan	Production and sales of Chinese and western medicines, medical instruments and sanitation materials
Livzon Medicine Marketing Co., Ltd under Livzon Group	Wholly-owned subcompany	Zhuhai City	Commodity sales	RMB20 million Yuan	Sales of products from the company and all medical subcompanies
Zhuhai Livzon Medicine Trade Co., Ltd	Wholly-owned subcompany	Zhuhai City	Commodity sales	RMB 60 million Yuan	Import and export of Chinese and western medicine preparations and materials and medical intermediates, etc. Chinese and western medicine preparations and materials, medical intermediates, chemical materials, sanitation materials, sanitation products, healthcare foodstuffs, invigorant, biological products, bio-chemical preparations, medical cosmetics and medical instruments
Shanghai Livzon Pharmaceutical Co., Ltd	Wholly-owned subcompany	Shanghai City	Pharmaceutical production	RMB 87.33 million Yuan	Production and sales of water injection, capsules, power, tablets, lyophilized preparation, bio-chemical and peptide material medicines
Livzon Syntpharm Co., Ltd in Zhuhai Bonded Area	Wholly-owned subcompany	Zhuhai City	Pharmaceutical production	RMB 128.28 million Yuan	Production and sales of chemical material medicine, medical preparations, medical intermediates and chemical products
Zhuhai Livzon Reagent Co., Ltd	Controlling subcompany	Zhuhai City	Pharmaceutical production	RMB 46.45 million Yuan	Production and sales of bio-chemical, immune and chemical reagents,

Subcompany Name	Subcompany type	Registered place	Business nature	Registered capital	Operation scope
					biological products, sanitation products and medical analyzer equipments
Datong Livzon Qiyuan Medicine Co., Ltd	Subcompany under controlling subcompany	Hunyuan County	Plantation industry	RMB 4 million Yuan	Plantation and processing of astragalus membranaceus; purchase and sales of Chinese medicines (except those that are restricted by the nation)
Longxi Livzon Shenyuan Medicine Co., Ltd	Subcompany under controlling subcompany	Longxi County	Plantation industry	RMB 4 million Yuan	Purchase, plantation, processing and storage of Chinese medicines allowed by the nation
Livzon Medicine Biological Technology Co., Ltd	Wholly-owned subcompany	Hongkong	Service industry	HKD10000	Biological technology, trade and investment
Zhuhai Livzon Advertising Co., Ltd	Wholly-owned subcompany	Zhuhai City	Service industry	RMB 1 million Yuan	Design, production, agency and publication of various advertisements at home and abroad
Zhuhai Livzon – Bai A Meng Biological Materials Co., Ltd	Controlling subcompany	Zhuhai City	Pharmaceutical production	RMB 12 million Yuan	Production and sales of Hydroxyapatite materials, plasma spraying HA-Ti artificial tooth and artificial hip, HA porous ceramic grains, and porous hydroxyapatite ceramic products.
Zhuhai Livzon Meidaxin Technology Development Co., Ltd	Wholly-owned subcompany	Zhuhai City	Service industry	RMB 1 million Yuan	Technical research and development of information and products related to medicines and health-care products; technical consultancy and service
Livzon Medicine Institute under Livzon Group	Wholly-owned subcompany	Zhuhai City	Service industry	RMB 10 million Yuan	Research and development of Chinese and western finished medicines, raw materials for medicines, medicine intermediate, Chinese medicine materials, tablet of Chinese medicines, healthcare and nutrition products, medical cosmetics, sanitation materials, bio-chemical reagents, medical

Subcompany Name	Subcompany type	Registered place	Business nature	Registered capital	Operation scope
					instruments, as well as the technical inquiry and transfer.
Jiaozuo Livzon Syntpharm Co., Ltd	Wholly-owned subcompany	Jiaozuo City	Pharmaceutical production	RMB70 million Yuan	Production and sales of medical intermediates, chemical products (the above products do not include the dangerous chemical products and chemical products used for drugs-making) (for the above Items that involve the special approval, the license or relevant approval documents must be obtained before performing the production and operation)
Zhuhai Livzon Dankang Biotechnology Co., Ltd	Controlling subcompany	Zhuhai City	Service industry	RMB 200 million Yuan	Technical research and development of biological medicine products and antibody medicines
Livzon Group Vaccine Engineering Co., Ltd	Controlling subcompany	Zhuhai City	Service industry	RMB 65 million Yuan	Technical research and development of bio-medicine products and vaccines
Wenshan Livzon Panax Notoginseng Plantation Co., Ltd	Controlling subcompany	Wenshan City	Plantation industry	RMB 9.2 million Yuan	Plantation and sales of Panax Notoginseng and sales of agricultural side products (not including the grains purchase)
Ningxia Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	Wholly-owned subcompany	Pingluo County	Pharmaceutical production	RMB 100 million Yuan	Under construction
Ningxia Fuxing Pharmaceutical Co., Ltd under Livzon Group	Wholly-owned subcompany	Pingluo County	Pharmaceutical production	RMB 100 million Yuan	Under construction
Livzon (Macau) Limited	Wholly-owned subcompany	Macau	Service industry	MOP100000	
Macau Jianxin Limited	Subcompany under controlling subcompany	Macau	Commodities sales	MOP100000	

**Subcompanies that are obtained by the establishment or investment, etc (continued)**

Subcompany Name	Actual investment amount at the end of period	Other Item balances that become the net investment to subcompanies	Shareholding percentage %	Voting percentage %
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Subcompany Name	Actual investment amount at the end of period	Other Item balances that become the net investment to subcompanies	Shareholding percentage %	Voting percentage %
Antao Development Limited	HKD 0.5 million	119,761,335.92	100%	100%
Livzon (Hongkong) Co., Ltd	HKD61 million	19,639,866.43	100%	100%
Zhuhai Modern Chinese Medicine Hi-tech Co., Ltd	RMB 6 million Yuan	0.00	100%	100%
Livzon Pharmaceutical Factory under Livzon Group	RMB 423.25 million Yuan	0.00	100%	100%
Livzon Medicine Marketing Co., Ltd under Livzon Group	RMB 20 million Yuan	0.00	100%	100%
Zhuhai Livzon Medicine Trade Co., Ltd	RMB 60 million Yuan	0.00	100%	100%
Shanghai Livzon Pharmaceutical Co., Ltd	RMB 67.44 million Yuan	0.00	75.99%	100%
Livzon Syntpharm Co., Ltd in Zhuhai Bonded Area	RMB 128.28 million Yuan	0.00	100%	100%
Zhuhai Livzon Reagent Co., Ltd	RMB 23.69 million Yuan	0.00	51%	51%
Datong Livzon Qiyuan Medicine Co., Ltd	RMB 3.7 million Yuan	0.00	92.50%	92.50%
Longxi Livzon Shenyuan Medicine Co., Ltd	RMB 3.6 million Yuan	0.00	90%	90%
Livzon Medicine Biological Technology Co., Ltd	0.00	0.00	100%	100%
Zhuhai Livzon Advertising Co., Ltd	RMB 1 million Yuan	0.00	100%	100%
Zhuhai Livzon – Bai A Meng Biological Materials Co., Ltd	RMB 9.84 million Yuan	0.00	82%	82%
Zhuhai Livzon Meidaxin Technology Development Co., Ltd	RMB 1 million Yuan	0.00	100%	100%
Livzon Medicine Institute under Livzon Group	RMB 10 million Yuan	0.00	100%	100%
Jiaozuo Livzon Syntpharm Co., Ltd	RMB 52.5 million Yuan HKD 19.8685 million	0.00	100%	100%

Subcompany Name	Actual investment amount at the end of period	Other Item balances that become the net investment to subcompanies	Shareholding percentage %	Voting percentage %
Zhuhai Livzon Dankang Biotechnology Co., Ltd	RMB 102 million Yuan	0.00	51%	51%
Livzon Group Vaccine Engineering Co., Ltd	RMB54.50 million Yuan	0.00	83.85%	83.85%
Wenshan Livzon Panax Notoginseng Plantation Co., Ltd	RMB4.694 million Yuan	0.00	51%	51%
Ningxia Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	RMB 100 Million Yuan	0.00	99.214%	99.214%
Ningxia Fuxing Pharmaceutical Co., Ltd under Livzon Group	RMB 100 Million Yuan	0.00	100%	100%
Livzon (Macau) Co., Ltd	0.00	0.00	100%	100%
Macau Jiaanxin Limited	MOP100000	0.00	51%	51%

**Subcompanies that are obtained by the establishment or investment, etc (continued)**

Subcompany name	Whether they are included in the consolidated statements?	Equities of the minority of shareholders	Amounts that are used for offsetting against the equities of the minority of shareholders
Antao Development Limited	Yes	0.00	0.00
Livzon (Hongkong) Co., Ltd	Yes	0.00	0.00
Zhuhai Modern Chinese Medicine Hi-tech Co., Ltd	Yes	0.00	0.00
Livzon Pharmaceutical Factory under Livzon Group	Yes	0.00	0.00
Livzon Medicine Marketing Co., Ltd under Livzon Group	Yes	0.00	0.00
Zhuhai Livzon Medicine Trade Co., Ltd	Yes	0.00	0.00
Shanghai Livzon Pharmaceutical Co., Ltd	Yes	20,967,668.89	0.00
Livzon Syntpharm Co., Ltd in Zhuhai	Yes	0.00	0.00

Subcompany name	Whether they are included in the consolidated statements?	Equities of the minority of shareholders	Amounts that are used for offsetting against the equities of the minority of shareholders
Bonded Area			
Zhuhai Livzon Reagent Co., Ltd	Yes	98,807,440.41	0.00
Datong Livzon Qiyuan Medicine Co., Ltd	Yes	142,151.06	0.00
Longxi Livzon Shenyuan Medicine Co., Ltd	Yes	224,504.85	0.00
Livzon Medicine Biological Technology Co., Ltd	Yes	0.00	0.00
Zhuhai Livzon Advertising Co., Ltd	Yes	0.00	0.00
Zhuhai Livzon – Bai A Meng Biological Materials Co., Ltd	Yes	1,111,467.95	0.00
Zhuhai Livzon Meidaxin Technology Development Co., Ltd	Yes	0.00	0.00
Livzon Medicine Institute under Livzon Group	Yes	0.00	0.00
Jiaozuo Livzon Syntpharm Co., Ltd	Yes	0.00	0.00
Zhuhai Livzon Dankang Biotechnology Co., Ltd	Yes	82,859,381.11	0.00
Livzon Group Vaccine Engineering Co., Ltd	Yes	5,258,852.44	0.00
Wenshan Livzon Panax Notoginseng Plantation Co., Ltd	Yes	4,669,213.22	0.00
Ningxia Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	Yes	0.00	0.00
Ningxia Fuxing Pharmaceutical Co., Ltd under Livzon Group	Yes	0.00	0.00
Livzon (Macau) Co., Ltd	Yes	0.00	0.00
Macau Jiaanxin Limited	Yes	454,585.98	0.00

**(II) Subcompanies that are obtained by the merger of enterprises which are not under the same control**

Full name of subcompany	Subcompany type	Registered place	Business nature	Registered capital	Operation scope
Sichuan Guangda Pharmaceutical Co., Ltd	Wholly-owned subcompany	Pengzhou City	Pharmaceutical production	RMB149 million Yuan	Research, development, production and sales of Chinese and western medicines and finished medicines
Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	Controlling subcompany	Qingyuan City	Pharmaceutical production	RMB 134.93 million Yuan	Export and production of its products and relevant technologies
Limin Pharmaceutical Co., Ltd under Livzon Group	Wholly-owned subcompany	Shaoguan City	Pharmaceutical production	RMB 61.56 million Yuan	Production and sales of various medical preparations, medical materials, various foodstuff additives, feedstuff additives and nutrition health-care products
Fuzhou Fuxing Pharmaceutical Co., Ltd under Livzon Group	Wholly-owned subcompany	Fuzhou City	Pharmaceutical production	USD 41.70 million	Production of material medicines such as bacteriophage, intermediates, preparations and chemical materials for the purpose of medical production (not including the inflammable and dangerous chemical products; if required, the license must be obtained)
Gutian Fuxing Pharmaceutical Co., Ltd	Wholly-owned subcompany	Gutian County	Pharmaceutical production	RMB 26.7 million Yuan	Manufacturing and sales of material medicines (Kanamycin sulfate, Tetracycline Hydrochloride and Chlortetracline Hydrochloride)

**Subcompanies that are obtained by the merger of enterprises which are not under the same control (continued)**

Subcompany name	Actual investment amount at the end of period	Other Item balances that become the net investment to subcompanies	Shareholding percentage %	Voting percentage %
Sichuan Guangda Pharmaceutical Co., Ltd	RMB 149 million Yuan	0.00	100%	100%
Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	RMB 124.32 million Yuan	0.00	92.14%	92.14%
Limin Pharmaceutical Co., Ltd under Livzon Group	RMB 207.72 million Yuan	0.00	100%	100%

Fuzhou Fuxing Pharmaceutical Co., Ltd under Livzon Group	USD 41.7 million	100%	100%
		0.00	
Gutian Fuxing Pharmaceutical Co., Ltd	RMB 26.7 million Yuan	100%	100%
		0.00	

**Subcompanies that are obtained by the merger of enterprises which are not under the same control (continued)**

Subcompany name	Whether they are included in the consolidated statements?	Equities of the minority of shareholders	Amounts that are used for offsetting against the equities of the minority of shareholders
Sichuan Guangda Pharmaceutical Co., Ltd	Yes	0.00	0.00
Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	Yes	16,968,261.50	0.00
Limin Pharmaceutical Co., Ltd under Livzon Group	Yes	0.00	0.00
Fuzhou Fuxing Pharmaceutical Co., Ltd under Livzon Group	Yes	0.00	0.00
Gutian Fuxing Pharmaceutical Co., Ltd	Yes	0.00	0.00

**(III) Subcompanies that are obtained by the merger of enterprises which are under the same control: None.**

**(IV) Subcompanies that are newly included in the consolidated scopes in this period and will not be included in the consolidated scopes once again: None.**

**V. Notes to Main Items in the Consolidated Financials Statements**

**1. Currency Capital**

Item	2013/6/30			2012/12/31		
	Original Currency	Exchange rate	Book-keeping Currency	Original Currency	Exchange rate	Book-keeping Currency
Cash at stock			104,156.71			134,187.07
Including:						
RMB			104,156.71			134,187.07

Euro	0.00	8.0536	0.00	0.00	8.3176	0.00
Deposits in banks						1,204,722,004.8
			1,440,792,956.41			7
Including:						1,184,329,952.8
RMB			1,381,918,525.54			2
Hongkong						
Dollar	60,242,881.14	0.79655	47,986,466.97	16,507,820.51	0.81085	13,385,366.26
USD	1,395,260.73	6.1787	8,620,897.47	1,033,704.57	6.2855	6,497,350.07
Japanese						
Yuan	0.00	0.062607	0.00	2,541,145.00	0.073049	185,628.10
Euro	29,435.87	8.0536	237,064.72	29,435.13	8.3176	244,829.64
MOP	2,638,078.90	0.7695	2,030,001.71	101,073.78	0.7804	78,877.98
Other Currency						
Capital			12,298,160.46			16,476,610.46
Including:						
RMB			11,972,816.62			14,081,836.93
Hongkong						
Dollar	408,441.20	0.79655	325,343.84	2,953,411.27	0.81085	2,394,773.53
Total			1,453,195,273.58			1,221,332,802.4
						0

Please give the separate remarks about the items which have the use restriction, are deposited in overseas banks and have the return risks due to the mortgage, pledgement or freezing, etc

(1) Other currency capitals at the end of this period mainly include the investment amounts and L/C deposits.

(2) RMB 29,000,000.00 Yuan of deposits in banks that has been mortgaged for the short-term loans and the L/C deposits of RMB 4,963,077.57 Yuan and deposits for bank acceptance drafts of RMB 6,623,728.10 Yuan in other currency capitals will be deducted from the cash and cash equivalents of cash flow statement. Besides, in the balances at the end of period, there are no items which have the use restriction, are deposited in overseas banks and have the return risks due to the mortgage, pledgement or freezing, etc.

## 2. Tradable financial assets

**(1) Tradable financial assets**

Item	2013/6/30	2012/12/31
Investments in the tradable equity instruments	11,477,809.46	59,319,616.94
Including: stock	10,960,528.00	58,780,092.81
Fund	517,281.46	539,524.13

(2) Tradable financial assets with the discounting restriction.

In the balances at the end of period, there are no tradable financial assets with the discounting restriction.

(3) Remarks about hedge instruments and relevant hedge trades

In the balances at the end of period, there are no hedge instruments, and no hedge trades happened during this period.

**3. Receivable Bills**

(1) Classification of receivable bills

Item	2013/6/30	2012/12/31
Bank Acceptance Drafts	157,011,384.13	112,482,782.18
Commercial Acceptance Drafts	87,730.00	0.00
Total	157,099,114.13	112,482,782.18

(2) Remarks about receivable bills that have been mortgaged at the end of period.

At the end of period, the company has no receivable bills that have been mortgaged.

(3) Remarks about the bills that have been transferred to the accounts receivable due to the failure of drawers to perform their obligations or the bills on which the company has endorsed to other parties but are not due at the end of period.

① Bills that have been transferred to the accounts receivable due to the failure of drawers to perform their obligations:

None

② Bills on which the company has endorsed to other parties by June 30, 2013 but are not due:

Bill Type	Due Time	Amount
Bank Acceptance Drafts	2013/7/1—2013/12/31	114,946,260.08

Including: top 5 bills that have been endorsed to other parties but are not due are listed as follows:

Drawer unit	Drawing date	Due date	Amount	Remarks
Changzhou Niutang Chemical Co., Ltd	April 3, 2013	October 3, 2013	4,000,000.00	The confirmation has been completed.

Changzhou Guanghui Biotechnology Co., Ltd	January 29, 2013	July 28, 2013	3,000,000.00	The confirmation has been completed.
Changzhou Niutang Chemical Co., Ltd	January 29, 2013	July 28, 2013	2,100,000.00	The confirmation has been completed.
Youcare Pharmaceutical Group Co., Ltd	February 6, 2013	August 6, 2013	2,000,000.00	The confirmation has been completed.
Zhejiang Yatai Pharmaceutical Co., Ltd	April 2, 2013	October 1, 2013	1,500,000.00	The confirmation has been completed.
<b>Total</b>			<b>12,600,000.00</b>	

③Remarks about commercial acceptance drafts that have been discounted or mortgaged: none

#### 4. Accounts Receivable

##### (1) Composition of Accounts Receivable

Item	2013/6/30				2012/12/31			
	Book balance		Reserves for Bad Debts		Book balance		Reserves for Bad Debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Accounts receivable whose individual amount is large and whose individual bad debt reserve is withdrawn	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
Accounts receivable whose bad debt reserve is withdrawn based on the combination	990,383,941.18	99.94%	54,710,788.1	5.52%	819,352,306.31	99.93%	45,330,835.4	5.53%



Accounts receivable whose

individual amount is not large but

whose individual bad debt reserve

is withdrawn 566,871.41 0.06% 566,871.41 100.00% 566,871.41 0.07% 566,871.41 100.00%

Total 55,277,659.5 45,897,706.8

990,950,812.59 100.00% 2 5.58% 819,919,177.72 100.00% 4 5.60%

Remarks about classification of accounts receivable

①Accounts receivable whose individual amount is large and whose individual bad debt reserve is withdrawn at the end of period

Applicable  Inapplicable

②In the combination, accounts receivable whose reserves for bad debts are withdrawn by the age analysis method

Applicable  Inapplicable

Age	2013/6/30			2012/12/31		
	Book balance		Reserve for bad debts	Book balance		Reserve for bad debts
	Amount	Percentage		Amount	Percentage	
Within 1 year	959,801,676.47	96.91%	47,990,083.83	797,049,806.72	97.28%	39,852,490.35
1-2 years	20,461,746.25	2.07%	1,227,704.78	14,736,404.89	1.80%	884,184.30
2-3 years	5,047,569.39	0.51%	1,009,513.89	3,023,759.20	0.37%	604,751.84
Over 3 years	5,072,949.07	0.51%	4,483,485.61	4,542,335.50	0.55%	3,989,408.94
Total	990,383,941.18	100.00%	54,710,788.11	819,352,306.31	100.00%	45,330,835.43

③In the combination, accounts receivable whose reserves for bad debts are withdrawn by the balance percentage method

Applicable  Inapplicable

④In the combination, accounts receivable whose reserves for bad debts are withdrawn by other methods

Applicable  Inapplicable

⑤Accounts receivable whose individual amount is not large but whose individual bad debt reserve is withdrawn

Applicable  Inapplicable

Name of accounts receivable	Book balance	Reserve for bad debts	Withdrawal percentage	Reason for withdrawal
Payments for	566,871.41	566,871.41	100.00%	They are the payments for goods with the age of

goods over 5 years, and the possibility of receiving them is very small.

(2) Accounts receivable that are reversed or received in this period: none.

(3) Accounts receivable that are actually written off in this period

In this period, the accounts receivable with the non-associated parties that have been actually written off amount to RMB 727,276.00 Yuan, and are listed as follows:

Unit name	Nature of accounts receivable	Date for writing off	Written-off amount	Reason for writing off	Is this caused by the associated transactions?
Nanyang Pukang Group Hengyu Pharmaceutical Co., Ltd	Payments for goods	March 2013	714,000.00	Cannot be received.	No.

(4) In the accounts receivable, debts with the shareholder units holding over 5% (including 5%) voting rights

By June 30, 2013, there are no debts with the shareholder units holding over 5% (including 5%) voting rights.

(5) By June 30, 2013, the top 5 accounts receivable are listed as follows:

Debtor Name	Relationship with this company	Debt Amount	Nature or Content	Debt Time	Percentage in Total Amount
BIOCON LIMITED	Non-associated party	44,356,803.89	Payments for goods	Within 1 year	4.48%
Hebei Huamin Pharmaceutical Co.,Ltd under North China Pharmaceutical	Non-associated party	32,002,276.20	Payments for goods	Within 1 year	3.23%
North China Pharmaceutical co.,Ltd	Non-associated party	15,916,277.34	Payments for goods	Within 1 year	1.61%
Guangdong Meikang Daguang Wante Pharmaceutical Co., Ltd	Non-associated party	15,338,588.00	Payments for goods	Within 1 year	1.55%
Youcare Pharmaceutical Group Co., Ltd	Non-associated party	14,469,607.06	Payments for goods	Within 1 year	1.46%
Total		122,083,552.49			12.33%

(6) by June 30, 2013, accounts receivable with associated parties are listed as follows:

Debtor Name			Relationship with this company	Amount	Percentage in Total Amount
Guangdong Blue Treasure Pharmaceutical Co. Ltd.			Associated company	8,068,533.90	0.82%
Zhuhai Joincare Pharmaceutical Industry Co., Ltd		Group	Company controlled by parent company	44,287.98	0.00%
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd		Group	Company controlled by parent company	508,604.00	0.05%
Total				8,621,425.88	0.87%

(7) Accounts receivable that have been confirmed: none.

(8) Assets and liability amounts that are securitized with the accounts receivable as subjects and continue to exist: none.

### 5. Prepaid Accounts

#### (1) Age analysis

Age	2013/6/30	Percentage	2012/12/31	Percentage
Within 1 year	163,963,308.70	78.24%	170,504,919.52	82.30%
1-2 years	26,843,383.22	12.81%	19,092,658.75	9.21%
2-3 years	1,610,066.45	0.77%	16,822,905.65	8.12%
Over 3 years	17,138,689.54	8.18%	760,305.76	0.37%
Total	209,555,447.91	100.00%	207,180,789.68	100.00%

(3) By June 30, 2013, the top 5 prepaid accounts are listed as follows:

Debtor Name	Relationship with this company	Debt Amount	Date time	Reason for unsettlement
Management Commission of Sichuan Pengzhou Industrial Development Zone	Non-associat ed party	20,425,185.00	1-2 years: RMB 6,732,904.09 Yuan, and over 3 years: RMB 13,692,280.91 Yuan	Payments for lands prepaid in accordance with the contracts
Siemens Healthcare Diagnostics Products (Shanghai) Co., Ltd	Non-associat ed party	15,073,912.26	Within 1 year	Payments for materials prepaid in accordance with the contracts

Shandong Taikai Power Engineering Co.,Ltd	Non-associated party	9,600,000.00	Within 1 year	Payments for equipment prepaid in accordance with the contracts
Rieckermann GmbH	Non-associated party	8,875,067.20	Within 1 year: RMB 5,935,069.24 Yuan, and 1-2 years: RMB 2,939,997.96 Yuan	Payments for equipment prepaid in accordance with the contracts
Qinhuangdao Lihua Starch Co., Ltd	Non-associated party	8,482,600.00	Within 1 year	Payments for materials prepaid in accordance with the contracts
		62,456,764.4		
Total			6	

(4) Debts with the shareholder units holding over 5% (including 5%) voting rights in this period

By June 30, 2013, there are no debts with the shareholder units holding over 5% (including 5%) voting rights.

**6. Other Accounts receivable**

(1) Classification of other accounts receivable

Item	2013/6/30				2012/12/31			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Other accounts receivable whose individual amount is large and whose individual bad debt reserve is withdrawn	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other accounts receivable whose bad debt reserve is withdrawn based on the combination	52,465,687.99	98.05%	4,964,533.97	9.46%	58,140,626.54	98.26%	5,100,369.41	8.77%
Other accounts receivable whose individual amount is not large but whose individual bad debt reserve is withdrawn	1,041,860.56	1.95%	1,041,860.56	100.00%	1,026,860.56	1.74%	1,026,860.56	100.00%

Total	53,507,548.55	100.00%	6,006,394.53	11.23%	59,167,487.10	100.00%	6,127,229.97	10.36%
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Remarks about classification of other accounts receivable

① Other accounts receivable whose individual amount is large and whose individual bad debt reserve is withdrawn at the end of period

Applicable  Inapplicable

② In the combination, other accounts receivable whose reserves for bad debts are withdrawn by age analysis method

Applicable  Inapplicable

Age	2013/6/30			2012/12/31		
	Book balance		Reserve for bad debts	Book balance		Reserve for bad debts
	Amount	Percentage		Amount	Percentage	
Within 1 year	40,263,360.25	76.74%	2,013,168.02	46,904,509.66	80.67%	2,345,225.48
1-2 years	3,402,861.69	6.49%	204,171.71	2,641,311.23	4.54%	158,478.67
2-3 years	7,317,009.59	13.95%	1,463,401.92	7,352,432.93	12.65%	1,470,486.59
Over 3 years	1,482,456.46	2.82%	1,283,792.32	1,242,372.72	2.14%	1,126,178.67
Total	52,465,687.99	100.00%	4,964,533.97	58,140,626.54	100.00%	5,100,369.41

③ In the combination, other accounts receivable whose reserves for bad debts are withdrawn by balance percentage method

Applicable  Inapplicable

④ In the combination, other accounts receivable whose reserves for bad debts are withdrawn by other methods

Applicable  Inapplicable

⑤ Other accounts receivable whose individual amount is not large but whose individual bad debt reserve is withdrawn

Applicable  Inapplicable

Name of other accounts receivable	Book balance	Reserve for bad debts	Withdrawal percentage	Reason for withdrawal
Fund transfer	1,041,860.56	1,041,860.56	100.00%	They are the fund transfers with the age of over 5 years, and the possibility of receiving them is very small.

(2) Other accounts receivable that are reversed or received in this period: none.

(3) Other accounts receivable that are actually written off in this period: none.

(4) Debts with the shareholder units holding over 5% (including 5%) voting rights

By June 30, 2013, there are no debts with the shareholder units holding over 5% (including 5%) voting rights.

In this period, the accounts receivable with the non-associated parties that have been actually written off amount to RMB 727,276.00 Yuan, and are listed as follows:

(5) By June 30, 2013, top 5 other accounts receivable with associated parties are listed as follows:

Debtor Name	Relationship with the company	Debt Amount	Nature or Content	Debt Time	Percentage in Total Amount
Guangzhou Pharmaceutical Co., Ltd	Yinheyangguang Group Industry Non-associated party	5,000,000.00	Loan	2-3 years	9.34%
Payable Export tax rebate fund	Non-associated party	2,020,667.88	Export tax rebate fund	Within 1 year	3.78%
Beijing Mangle Technology Co.,Ltd	Pharmaceutical Non-associated party	2,000,000.00	Loans for projects	Yuan; 1-2 years: RMB 40,000.00 Yuan; 2-3 years: RMB 1,560,000.00 Yuan	3.74%
Guangdong Energy Technology Co., LTD	Zhengpeng Biological Non-associated party	1,497,100.00	Advance payments for equipment	Within 1 year	2.80%
Guangdong Pharmaceutical Co. Ltd.	Blue Treasure Non-associated party	1,353,138.58	Water, electricity and power expenses	Within 1 year	2.53%
Total		11,870,906.4			22.19%

(6) By June 30, 2013, other accounts receivable with associated parties are listed as follows:

Debtor Name	Relationship with the company	Debt Amount	Percentage in Total Amount
Zhuhai Joincare Industry Co., Ltd	Pharmaceutical Group Company controlled by parent company	26,386.99	0.05%
Health Pharmaceutical (China) Co., Ltd	Pharmaceutical (China) Co., Ltd Company controlled by parent company	8,329.00	0.02%

Jiaozuo Joincare Pharmaceutical Group Industry Co., Ltd	Company controlled by parent company	139,991.92	0.26%
Guangdong Blue Treasure Pharmaceutical Co. Ltd.	Associated company	1,353,138.58	2.53%
Total		1,527,846.49	2.86%

(7) Other accounts receivable that have been confirmed: none.

(8) Assets and liability amounts that are securitized with the other accounts receivable as subjects and continue to exist: none.

## 7. Inventory

### (1) Inventory classification

Item	2013/6/30			2012/12/31		
	Book balance	Depreciation Reserve	Book value	Book balance	Depreciation Reserve	Book value
Raw materials	186,844,679.63	1,184,383.41	185,660,296.22	208,936,291.88	1,296,162.85	207,640,129.03
Packages	24,863,074.55	58,035.51	24,805,039.04	14,252,721.41	78,275.32	14,174,446.09
Products	101,504,594.20	5,649.00	101,498,945.20	106,904,120.64	391,869.11	106,512,251.53
Inventory commodities	199,216,581.70	8,071,518.03	191,145,063.67	172,366,395.81	8,684,390.52	163,682,005.29
Entrusted materials for processing	163,329.75		163,329.75			
		0.00		0.00	0.00	0.00
Low-value consumables	944,561.21		944,561.21	562,067.18	0.00	562,067.18
		0.00				
Delivered commodities	24,247,540.76		24,247,540.76	0.00	0.00	0.00
		0.00				
Consumable biological assets	36,500,920.04		36,500,920.04	29,144,084.11	0.00	29,144,084.11
		0.00				

Self-made						
semi-finished	28,521,786.32	35,987.39	28,485,798.93			
products				27,855,418.10	3,072,401.80	24,783,016.30
<b>Total</b>	<b>602,807,068.16</b>	<b>9,355,573.34</b>	<b>593,451,494.82</b>	<b>560,021,099.13</b>	<b>13,523,099.60</b>	<b>546,497,999.53</b>

(2) Depreciation reserve for inventory

Inventory type	2012/12/31	Withdrawal in this period	Decrease in this period		2013/6/30
			Reversion in this period	Writing-off in this period	
Raw materials	1,296,162.85	1,070,951.52	0.00	1,182,730.96	1,184,383.41
Packages	78,275.32	46,245.69	0.00	66,485.50	58,035.51
Products	391,869.11	109,646.21	0.00	495,866.32	5,649.00
Inventory commodities	8,684,390.52	4,670,109.59	0.00	5,282,982.08	8,071,518.03
Self-made semi-finished products	3,072,401.80	141,663.89	0.00	3,178,078.30	35,987.39
<b>Total</b>	<b>13,523,099.60</b>	<b>6,038,616.90</b>	<b>0.00</b>	<b>10,206,143.16</b>	<b>9,355,573.34</b>

(3) Depreciation reserve for inventory

The depreciation reserve for inventory will be withdrawn based on the difference between the inventory book values and their net realizable values on June 30, 2013. The net realizable values mean the values after deduction of the costs, sales expenses and relevant taxes from the evaluated selling prices of inventories in the daily activities at the time of completion.

**8. Saleable Financial Assets**

(1) Classification

Item	2013/6/30	2012/12/31
Saleable equity instruments	9,827,655.38	10,612,859.66
Including: stocks	9,827,655.38	10,612,859.66

(2) Long-term creditors right investment in saleable financial assets: none.



**9. Investments in the associated enterprises**

Name of Invested Units	Enterprise type	Registered place	Legal representative	Business nature	Registered capital	Share-holding percentage of this enterprise(%)	Percentage of voting rights of this enterprise in the invested units(%)
Guangdong Treasure Pharmaceutical Ltd.	Blue Co. Limited liability (joint venture)	Qingyuan City	An Ning	Production and sales of material medicines	USD 7.53 million	35.91%	35.91%
Livzon Electronic (Factory) Co., Ltd	Medical Equipment Limited liability	Zhuhai City	Xu Xiaoxian	It has been closed.	RMB 3.62 million Yuan	28%	28%
Tongyikangshimei Chain (Shenzhen) Co., Ltd	Limited liability	Shenzhen	Huang Qianli	Commodity sales	RMB 100 million Yuan	35%	35%
Total							

Continued:

Name of Invested Units	Total assets at the end of period	Total liabilities at the end of period	Total net assets at the end of period	Total operating income in this year	Net profits in this year
Guangdong Blue Treasure Pharmaceutical Co. Ltd.	104,577,369.60	10,844,334.36	93,733,035.24	37,435,284.48	4,936,183.76
Livzon Medical Electronic Equipment (Factory) Co., Ltd	—	—	—	—	—
Tongyikangshimei Chain (Shenzhen) Co., Ltd	14,266,014.96	1,225,844.79	13,040,170.17	6,803,971.60	-512,112.24
Total	118,843,384.56	12,070,179.15	106,773,205.41	44,239,256.08	4,424,071.52

Remarks about the huge difference between the key accounting policies and accounting evaluation of joint venture and

associated enterprises and those of company: none.

**10. Long-term Equity Investment**

**(1) Breakdown of long-term equity investments**

Name of Invested Units	Calculation method	Investment cost	2012/12/31	Increase or decrease	2013/6/30	Share-holding percentage in this invested unit (%)	Percentage of voting rights in the invested units(%)	Remarks about the difference between the share-holding percentage and voting rights in invested units	Depreciation reserve	Withdrawal of depreciation reserve in this period	Cash bonus in this period
Guangdong Development Co.Ltd	Bank cost method	177,348.84	177,348.84	0.00	177,348.84	0.0004%	0.0004%		0.00	0.00	0.00
Beijing Medical Goods Company	Operation cost method	100,000.00	100,000.00	0.00	100,000.00	0.821%	0.821%		100,000.00	0.00	0.00
Doumen Industry City Co., Ltd	Sanzhou cost method	500,000.00	500,000.00	0.00	500,000.00	1.6%	1.6%		500,000.00	0.00	0.00
China Bank of Zhuhai Co., Ltd	Resources cost method	95,325,760.00	95,325,760.00	0.00	95,325,760.00	1.5065%	1.5065%		20,000,000.00	0.00	0.00
Ruiheng Pharmaceutical Technology Investment Co., Ltd	cost method	6,250,000.00	6,250,000.00	0.00	6,250,000.00	5.681%	5.681%		0.00	0.00	343,750.00
Shanghai Pharmaceutical Co., Ltd	Haixin cost method	500,000.00	500,000.00	0.00	500,000.00	4.55%	4.55%		0.00	0.00	0.00

Livzon	Medical	Equity									
Electronic	Equipment	method	1,200,000.00	1,200,000.00	0.00	1,200,000.00	28%	28%	1,200,000.00	0.00	0.00
(Factory) Co., Ltd											
Guangdong	Blue										
Treasure		Equity									
Pharmaceutical	Co.	method	11,227,540.45	33,964,795.70	1,888,090.28	35,852,885.98	35.91%	35.91%	0.00	0.00	0.00
Ltd.											
Tongyikangshimei											
Chain	(Shenzhen)	Equity									
Co., Ltd		method	35,000,000.00	4,743,298.84	-179,239.29	4,564,059.55	35%	35%	0.00	0.00	0.00
Total											
			150,280,649.29	142,761,203.38	1,708,850.99	144,470,054.37			21,800,000.00	0.00	343,750.00

(2) Depreciation reserve for long-term equity investment

Investment Projects	2012/12/31	Withdrawal in this period	Transfer-out in this period	2013/6/30	Reason for Withdrawal
Doumen Sanzhou Industry City Co., Ltd	500,000.00	0.00	0.00	500,000.00	The net assets are less than zero.
China Resources Bank of Zhuhai Co., Ltd	20,000,000.00	0.00	0.00	20,000,000.00	Loss
Livzon Medical Electronic Equipment (Factory) Co., Ltd	1,200,000.00	0.00	0.00	1,200,000.00	The net assets are less than zero.
Beijing Medical Goods Joint Operation Company	100,000.00	0.00	0.00	100,000.00	The business license has been cancelled by the local administration of industry

and  
commerce

Total	21,800,000.00	0.00	0.00	21,800,000.0	0
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(3) Remarks about restriction in transferring the capitals to invested enterprises: none.

### 11. Fixed Assets and Accumulated Depreciation

#### (1) Particulars

Item	2012/12/31	Increase in this period	Decrease in this period	2013/6/30
I. Original values of fixed assets:	2,445,480,605.42	71,744,666.08	2,262,636.58	2,514,962,634.92
Houses and buildings	1,104,342,763.27	16,707,344.55	0.00	1,121,050,107.82
Machine equipments	1,120,344,797.53	36,742,928.58	908,842.30	1,156,178,883.81
Transportation equipments	41,495,690.07	8,581,282.22	1,241,661.72	48,835,310.57
Electronic equipments and others	179,297,354.55	9,713,110.73	112,132.56	188,898,332.72
II. Accumulated depreciation:	1,228,112,140.52	70,064,684.65	1,982,332.92	1,296,194,492.25
Houses and buildings	446,752,891.97	22,561,310.59	0.00	469,314,202.56
Machine equipments	632,910,202.19	37,646,646.24	807,859.79	669,748,988.64
Transportation equipments	18,932,318.66	3,117,655.37	1,070,045.85	20,979,928.18
Electronic equipments and others	129,516,727.70	6,739,072.45	104,427.28	136,151,372.87
III. Net value of fixed assets:	1,217,368,464.90			1,218,768,142.67
Houses and buildings	657,589,871.30	0.00	0.00	651,735,905.26
Machine equipments	487,434,595.34	0.00	0.00	486,429,895.17
Transportation equipments	22,563,371.41	0.00	0.00	27,855,382.39
Electronic equipments and others	49,780,626.85	0.00	0.00	52,746,959.85

IV. Depreciation reserve	90,082,979.53	0.00	8,226.59	90,074,752.94
Houses and buildings	47,154,210.14	0.00	0.00	47,154,210.14
Machine equipments	41,828,416.48	0.00	8,226.59	41,820,189.89
Transportation equipments	95,560.44	0.00	0.00	95,560.44
Electronic equipments and others	1,004,792.47	0.00	0.00	1,004,792.47
V. Book value of fixed assets	1,127,285,485.37			1,128,693,389.73
Houses and buildings	610,435,661.16	0.00	0.00	604,581,695.12
Machine equipments	445,606,178.86	0.00	0.00	444,609,705.28
Transportation equipments	22,467,810.97	0.00	0.00	27,759,821.95
Electronic equipments and others	48,775,834.38	0.00	0.00	51,742,167.38

The depreciation amount in this amount is RMB 70,064,684.65 Yuan, and the original value of the projects under construction in this period that have been transferred to the fixed assets amount to RMB 46,100,369.39 Yuan.

(2) The fixed assets that are temporarily unused are listed as follows:

Item	Original Book Values	Accumulated Depreciation	Depreciation Reserve	Book value	Estimated Time to put it into use
Houses and buildings	12,846,847.45	3,364,677.99		9,482,169.46	2013
Machine equipments	16,552,556.09	8,827,654.84		7,724,901.25	2013
Office equipments and others	2,725,518.04	2,452,908.17		272,609.87	2013
Total	32,124,921.58	14,645,241.00		17,479,680.58	

(3) Fixed assets that the company has leased in the mode of financing lease: none.

(4) The fixed assets that have been rented out are listed as follows:

Item	Original Book Values	Accumulated Depreciation	Depreciation	Book value
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		Depreciation	Reserve	
Houses and buildings	4,745,771.65	2,941,769.35	26,479.77	1,777,522.53

(5) Fixed assets that the company has hold for sales: none.

(6) Particulars about fixed assets whose property certificates have not been handled:

Item	Original Book Values	Accumulated Depreciation	Depreciation Reserve	Book value	Reason	Estimated date for handling the property certificate
Houses and buildings	342,724,249.18	52,471,016.61	0.00	290,253,232.57	The handling of certificates is still under way.	2013

(7) By June 30, 2013, the company has neither mortgaged nor guaranteed any fixed assets.

## 12. Projects under Construction

(1) Projects under Construction

Project name	2013/6/30			2012/12/31		
	Original Book Values	Depreciation Reserve	Book value	Original Book Values	Depreciation Reserve	Book value
Newly built plants	741,290,746.02	0.00	741,290,746.02	563,825,749.23	0.00	563,825,749.23
Equipment installation	698,560,469.45	0.00	698,560,469.45	377,069,920.09	0.00	377,069,920.09
Technical improvement	8,586,078.45	0.00	8,586,078.45	1,181,953.85	0.00	1,181,953.85
Plant improvement	48,749,512.11	0.00	48,749,512.11	11,765,670.48	0.00	11,765,670.48
Others	84,292,298.40	0.00	84,292,298.40	74,925,756.83	0.00	74,925,756.83
Total	1,581,479,104.4	0.00	1,581,479,104.4	1,028,769,050.48	0.00	1,028,769,050.4

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(2) Particulars

Project name	Budget Amount	2012/12/31	Increase in this period	Fixed Assets Transferred in this Period	Other Decrease	Percentage of Project Investment to Budget	Project progress	Accumulated capitalized amount of interests	Including: capitalized interests in this period	Capitalization ratio of interests in this period	Capital Source	2013/6/30
						57.89%						
Newly built plants	1,315,857,122.87	563,825,749.23	197,931,004.77	20,442,544.86	23,463.12	57.89%	Part of projects have been completed.	28,805,007.12	19,626,284.20	3.90%	Loans and available capitals owned by the company	741,290,746.02
Equipment installation	1,001,251,370.24	377,069,920.09	345,082,119.49	23,471,943.48	119,626.65	72.12%	Part of projects have been completed.	0.00	0.00	0.00	Available capitals owned by the company	698,560,469.45
Technical improvement	10,474,501.28	1,181,953.85	8,555,341.21	1,151,216.61	0.00	92.96%	Part of projects have been completed.	0.00	0.00	0.00	Available capitals owned by the company	8,586,078.45
Plant improvement	94,770,682.62	11,765,670.48	37,935,843.66	858,244.44	93,757.59	52.44%	Part of projects have been completed.	0.00	0.00	0.00	Available capitals owned by the company	48,749,512.11
Others	86,889,830.00	74,925,756.83	9,542,961.57	176,420.00	0.00	97.21%		0.00	0.00	0.00	Available capitals owned by	84,292,298.40

the  
company

Total	2,509,243,507.	1,028,769,050.	599,047,270.70	46,100,369.	236,847.36	28,805,007.	19,626,284.	1,581,479,104.
	01	48		39		12	20	43

(3) Depreciation Reserve for projects under construction: none.

(4) By June 30, 2013, the capitalization amounts of interests for the projects under construction are listed as follows:

Project name	2012/12/31	Increase in this period	Fixed Assets Transferred in this Period	Other Decrease	2012/12/31
Newly built plants	12,597,332.22	19,626,284.20	3,418,609.30	0.00	28,805,007.12

### 13. Project Goods

Goods name	2013/6/30	2012/12/31
Special equipments	1,472,007.62	1,623,576.06

### 14. Intangible Assets and Accumulated Amortization

(1) Intangible Assets

Item	2012/12/31	Increase in this period	Decrease in this period	2013/6/30
<b>I. Total of Original Book</b>				
Values:	356,544,893.72	30,976,667.55	0.00	387,521,561.27
Use rights of lands	194,290,361.20	27,575,156.00	0.00	221,865,517.20
Special techniques	139,043,340.02	2,588,355.14	0.00	141,631,695.16
Software	23,187,192.50	813,156.41	0.00	24,000,348.91
Trademark rights	24,000.00	0.00	0.00	24,000.00
<b>II. Total of Accumulated amortization</b>				
amortization	149,053,373.23	9,503,685.18	0.00	158,557,058.41
Use rights of lands	50,122,110.56	2,082,567.91	0.00	52,204,678.47
Special techniques	87,564,956.43	5,683,163.52	0.00	93,248,119.95



Software	11,342,306.24	1,737,953.75	0.00	13,080,259.99
Trademark rights	24,000.00	0.00	0.00	24,000.00
III. Total of net book values				
of intangible assets	207,491,520.49			228,964,502.86
Use rights of lands		0.00		
	144,168,250.64		0.00	169,660,838.73
Special techniques		0.00		
	51,478,383.59		0.00	48,383,575.21
Software	11,844,886.26	0.00	0.00	10,920,088.92
Trademark rights	0.00	0.00	0.00	0.00
IV. Total of Depreciation		0.00		
Reserve	2,361,826.83		0.00	2,361,826.83
Use rights of lands	981,826.94	0.00	0.00	981,826.94
Special techniques	1,379,999.89	0.00	0.00	1,379,999.89
Software	0.00	0.00	0.00	0.00
Trademark rights	0.00	0.00	0.00	0.00
III. Total of book values of				
intangible assets	205,129,693.66			226,602,676.03
Use rights of lands	143,186,423.70	0.00	0.00	168,679,011.79
Special techniques	50,098,383.70	0.00	0.00	47,003,575.32
Software	11,844,886.26	0.00	0.00	10,920,088.92
Trademark rights	0.00	0.00	0.00	0.00

The amortization amount is RMB 9,503,685.18 Yuan.

(2) Remarks about intangible assets

The reasons for increase of special techniques mainly include: ① Livzon Pharmaceutical Group Inc. has paid the royalty for special technique Pramipexole dihydrochloride at the amount of RMB 1.3 million Yuan; ② Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group has paid the royalty for special technique Enramycin at the amount of RMB 0.5 million Yuan.

②Particulars about intangible assets whose property certificates have not been handled:

Item	Original Book Values	Accumulated Depreciation	Depreciation Reserve	Book value	Reason
Use right of lands	27,354,034.42	3,950,114.60	0.00	23,403,919.82	The handling of certificates is still under way.

**15. Development payment**

Item	2012/12/31	Increase in this period	Decrease in this period		2013/6/30
			Accrued to the current profit and loss	Confirmed as intangible assets	
Capitalization payment	1,510,153.5	0.00	708,932.21	588,355.14	212,866.16
Expense payment	0.00	61,034,322.14	61,034,322.14	0.00	0.00
<b>Total</b>	<b>1,510,153.5</b>	<b>61,034,322.14</b>	<b>61,743,254.35</b>	<b>588,355.14</b>	<b>212,866.16</b>

The percentage of intangible assets caused by the internal development of company in this period in the original book value of intangible assets at the end of period is 0.15%.

**16 Goodwill**

Name of Invested Units	2012/12/31	Increase in this period	Decrease in this period	2013/6/30	Depreciation Reserve at the end of period
Livzon Pharmaceutical Factory under Livzon Group	47,912,269.66	0.00	0.00	47,912,269.66	0.00
Sichuan Guangda Pharmaceutical Co., Ltd	13,863,330.24	0.00	0.00	13,863,330.24	0.00
Fuzhou Fuxing Pharmaceutical Co., Ltd under Livzon Group	46,926,155.25	0.00	0.00	46,926,155.25	11,200,000.00

Name of Invested Units	2012/12/31	Increase in this period	Decrease in this period	2013/6/30	Depreciation Reserve at the end of period
Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	7,271,307.03	0.00	0.00	7,271,307.03	7,271,307.03
Zhuhai Livzon Meidaxin Technology Development Co., Ltd	287,756.12	0.00	0.00	287,756.12	287,756.12
Shanghai Livzon Pharmaceutical Co., Ltd	2,045,990.12	0.00	0.00	2,045,990.12	0.00
Livzon Syntpharm Co., Ltd in Zhuhai Bonded Area	3,492,752.58	0.00	0.00	3,492,752.58	0.00
Total	121,799,561.00	0.00	0.00	121,799,561.00	18,759,063.15

List of goodwill depreciations:

Name of Invested Units	2012/12/31	Increase in this period	Decrease in this period	2013/6/30
Fuzhou Fuxing Pharmaceutical Co., Ltd under Livzon Group	11,200,000.00	0.00	0.00	11,200,000.00
Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	7,271,307.03	0.00	0.00	7,271,307.03
Zhuhai Livzon Meidaxin Technology Development Co., Ltd	287,756.12	0.00	0.00	287,756.12
Total	18,759,063.15	0.00	0.00	18,759,063.15

Testing method of goodwill depreciation and withdrawal method of depreciation reserve

The goodwill of company is formed by the merger of enterprises which are not under same control in previous years.

On the preparation date of balance sheet, the company has made the depreciation testing of goodwill. When forecasting the receivable amount from cost investment, the company employs the asset combination related to goodwill to forecast the current value of cash flow in the future. That is, if the invested units may continuously operate, forecast to be able to continuously produce the cash flow, and select 12% as the discounting ratio (in 2012:12%) for discounting and after the discounting, the company will determine the depreciation. After the testing, the management of company forecasts that, during the report period, there is no need to withdraw the depreciation reserve for goodwills.

**17 Long-term Amortization Expense**

Project Name	2012/12/31	Increase in this period	Amortization in this Period	Other decrease	2013/6/30	Reasons for other decrease
Overhaul expense of fixed assets	4,164,390.66	540,222.50	876,381.92	0.00	3,828,231.24	
Decoration expense of offices	1,273,675.26	0.00	458,802.36	0.00	814,872.90	
Decoration expense of plants	3,166,448.10	0.00	1,033,228.03	0.00	2,133,220.07	
Publicly amortized expense of public utilities	140,794.48	0.00	45,814.17	0.00	94,980.31	
Resin	5,927,566.73	2,499,221.18	1,641,509.96	0.00	6,785,277.95	
Others	3,112,995.22	3,286,957.85	1,615,322.18	0.00	4,784,630.89	
<b>Total</b>	<b>17,785,870.45</b>	<b>6,326,401.53</b>	<b>5,671,058.62</b>	<b>0.00</b>	<b>18,441,213.36</b>	

**18 Deferred Income Tax Asset and Deferred Income Tax Liability**

(1) Deferred Income Tax Asset and Deferred Income Tax Liability that have been confirmed

Type	2013/6/30	2012/12/31
Deferred Income Tax Asset:		
The deductible temporary difference caused by withdrawal of the asset depreciation reserve	24,812,763.63	24,567,976.14
The deductible temporary difference caused by the long-term equity investment out of the scope of consolidation statement	3,727,400.71	3,763,451.17
The deductible temporary difference caused by the amortization of intangible assets	23,380.65	60,230.11
The deductible temporary difference caused by the withdrawal expense	7,309,838.00	6,621,016.91
The deductible temporary difference caused by the deductible loss	6,911,745.74	7,517,170.15

The deductible temporary difference caused by the deferred gains	802,507.50	630,007.50
Subtotal	43,587,636.23	43,159,851.98

Deferred Income Tax Liability:

Temporary difference of payable taxes caused by the tradable financial assets	55,092.22	58,428.62
Temporary difference of payable taxes caused by the saleable financial assets	1,100,643.70	1,218,424.33
Temporary difference of payable taxes caused by the calculation of long-term equity investment with the equity method	1,519,913.40	1,299,636.20
Subtotal	2,675,649.32	2,576,489.15

(2) Particulars about deferred income tax assets that have not been confirmed.

Item	2013/6/30	2012/12/31
Deductible temporary difference	774,600.65	857,870.66
Deductible loss	90,863,200.65	70,315,652.28
Total	91,637,801.30	71,173,522.94

(3) The deductible loss of deferred income tax asset that has not been confirmed will become due in next year

Year	2013/6/30	2012/12/31	Remarks
2013	135,077.23	135,077.23	
2014	342,796.94	342,796.94	
2015	8,908,557.85	8,908,557.85	
2016	28,334,063.89	28,695,690.62	
2017	24,419,288.26	25,765,634.88	
2018	20,886,618.14	0.00	
Endless	7,836,798.34	6,467,894.76	
Total	90,863,200.65	70,315,652.28	

(3) Particulars about taxable differences and deductible difference items

Items	2013/6/30	2012/12/31
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Taxable items:

Temporary difference of payable taxes caused by the tradable financial assets	367,281.46	389,524.13
Temporary difference of payable taxes caused by the saleable financial assets	7,337,624.52	8,122,828.80
Temporary difference of payable taxes caused by the calculation of long-term equity investment with the equity method	10,132,756.00	8,664,241.34
Subtotal	17,837,661.98	17,176,594.27

Deductible difference items:

The deductible temporary difference caused by withdrawal of the asset depreciation reserve	158,896,849.39	158,335,468.93
The deductible temporary difference caused by the long-term equity investment out of the scope of consolidation statement	24,849,338.07	25,089,674.47
The deductible temporary difference caused by the amortization of intangible assets	155,871.00	401,534.07
The deductible temporary difference caused by the withdrawal expense	48,732,253.35	44,140,112.76
The deductible temporary difference caused by the deductible loss	46,078,304.93	50,114,467.67
The deductible temporary difference caused by the deferred gains	5,350,050.00	4,200,050.00
Subtotal	284,062,666.74	282,281,307.90

**19 Asset Depreciation Reserve**

Item	2012/12/31	Increase in this period	Decrease in this period		2013/6/30
			Reversion	Writing-off	
Reserve for bad debts	52,024,936.81	9,991,960.93	0.00	732,843.69	61,284,054.05
Depreciation Reserve for inventory	13,523,099.60	6,038,616.90	0.00	10,206,143.16	9,355,573.34

Depreciation reserve for long-term equity investment	21,800,000.00	0.00	0.00	0.00	21,800,000.00
Depreciation Reserve for fixed assets	90,082,979.53	0.00	0.00	8,226.59	90,074,752.94
Depreciation Reserve for intangible assets	2,361,826.83	0.00	0.00	0.00	2,361,826.83
Depreciation Reserve for goodwill	18,759,063.15	0.00	0.00	0.00	18,759,063.15
<b>Total</b>	<b>198,551,905.92</b>	<b>16,030,577.83</b>	<b>0.00</b>	<b>10,947,213.44</b>	<b>203,635,270.31</b>

The writing-off of the reserves for bad debts means the writing-off of the bad debts; the writing-off of depreciation reserve for inventory and the depreciation reserve of fixed assets means the rejection, disposal transfer or writing-off.

**(I) Assets whose ownership rights are restricted**

Item	2012/12/31	Increase in this period	Decrease in this period	2013/6/30
Assets used for pledge:				
L/C deposits	2,020,501.88	5,400,570.92	2,457,995.23	4,963,077.57
Deposits for bank acceptance drafts	11,676,000.00	9,996,654.30	15,048,926.20	6,623,728.10
Deposits in banks	29,000,000.00	0.00	0.00	29,000,000.00
<b>Total</b>	<b>42,696,501.88</b>	<b>15,397,225.22</b>	<b>17,506,921.43</b>	<b>40,586,805.67</b>

The reasons for the restriction of asset ownership rights are listed as follows:

The company pledged the certificate of time deposit of RMB 29,000,000.00 Yuan to Zhuhai Branch of Everbright Bank for a loan of HKD 35,000,000.00, and the pledge period is from December 24, 2012 to December 23, 2013.

**(II) Short-time Loan**

(1) Classification of short-term loans

Item	2013/6/30	2012/12/31
Credit loan	452,878,772.07	495,627,002.91

Guaranty loan	11,951,400.00	12,162,750.00
Pledgement loan	27,886,600.00	28,379,750.00
<b>Total</b>	<b>492,716,772.07</b>	<b>536,169,502.91</b>

Remarks about classification of short-time loans

①Guaranty loan: The Company provides the guaranty to Livzon Pharmaceutical Factory under Livzon Group for a loan of HKD 15,000,000.00 from China Resources Bank of Zhuhai.

②Please see the article 20 of V in the notes to the financial statement for more details about the mortgage.

(2) Short-time loans that have become due but not been repaid.

By June 30, 2013, the company has no short-time loans that have become due but not been repaid

**(III) Bills payable**

Item	2013/6/30	2012/12/31
Bank acceptance bills	341,162,691.47	283,581,118.89

The amount that will become due in next accounting period is RMB 341,162,691.47 Yuan.

Remarks about bills payable

By June 30, 2013, there are no debts with the shareholder units holding over 5% (including 5%) voting rights.

**(IV) Accounts payable**

(1) Particulars about Accounts payable

Age	2013/6/30	2012/12/31
Within 1 year	383,117,699.58	287,579,679.99
Over 1 year	18,195,157.61	24,234,380.42
<b>Total</b>	<b>401,312,857.19</b>	<b>311,814,060.41</b>

(2) Accounts payable to the shareholder units holding over 5% (including 5%) voting rights in this period.

By June 30,2013, there are no accounts payable to the shareholder units holding over 5% (including 5%) voting rights.

(3) Remarks about huge accounts payable with the age of over 1 year

Unit name	Debt amount	Nature or content	Reason
Zibo Dongfang Yineng Medical Chemical Co., Ltd	3,080,800.00	Payment for Goods	Temporarily unpaid



Zhuhai Xingye Green Architectural Technology Co., Ltd	1,449,004.46	Payment for Project	Temporarily unpaid
IMA Life the Netherlands BV	1,324,406.35	Payment for equipment	Temporarily unpaid
<b>Total</b>	<b>5,854,210.81</b>		

(4) By June 30, 2013, top 5 accounts payable are listed as follows:

Unit name	Debt amount	Nature or content	Debt period	Percentage in Total Amount
Shanghai Techwell Biopharmaceutical Co., Ltd	56,093,350.64	Payments for materials	Within 1 year	13.98%
Jiaozuo Joincare Pharmaceutical Group Industry Co., Ltd	31,020,330.28	Payments for materials	Within 1 year	7.73%
PKU International Healthcare Group Chongqing Daxin Pharmaceutical Co., Ltd	15,241,256.78	Payments for materials	Within 1 year	3.80%
Siemens Healthcare Diagnostics Products (Shanghai) Co., Ltd	9,936,697.15	Payments for materials	Within 1 year	2.48%
Japan Fuji FUJIREBIOINC	7,933,419.68	Payments for projects	Within 1 year	1.98%
<b>Total</b>	<b>120,225,054.53</b>			<b>29.97%</b>

(5) Please see the note VI for the details about the accounts payable to associated parties.

**(V) Advance accounts**

(1) Age analysis

Item	2013/6/30	2012/12/31
Within 1 year	38,534,927.13	25,949,403.61
Over 1 year	8,814,059.41	12,000,636.81
<b>Total</b>	<b>47,348,986.54</b>	<b>37,950,040.42</b>

(2) Advance accounts with the shareholder units holding over 5% (including 5%) voting rights in this period.

By June 30,2013, there are no advance accounts with the shareholder units holding over 5% (including 5%) voting rights.

(3) Remarks about huge advance accounts with the age of over 1 year

Unit name	Debt amount	Reason for unsettlement
Yunnan Center for Disease Control and Prevention	3,482,703.68	The buyer did not request for the delivery.
Yunnan Maternity and Child Health Hospital	881,739.00	The buyer did not request for the delivery.
Heilongjiang Center for Disease Control and Prevention	604,332.00	The buyer did not request for the delivery.
Jiangxi Center for Disease Control and Prevention	537,623.67	The buyer did not request for the delivery.
Total	5,506,398.35	

(4) By June 30, 2013, top 5 advance accounts are listed as follows:

Unit name	Debt amount	Nature or content	Debt period	Percentage in Total Amount
			Within 1 year: RMB	
Yunnan Center for Disease Control and Prevention	9,103,389.68	Payments for goods	5,620,686.00 Yuan; 1-2 years: RMB 3,482,703.68 Yuan	19.23%
Wenshan Meiluo Junyuan Panax notoginseng Plantation Base Co., Ltd	8,700,000.00	Payments for goods	Within 1 year	18.37%
Chongqing Health Bureau	1,568,565.70	Payments for goods	Within 1 year	3.31%
Fujian Center for Disease Control and Prevention	1,431,948.40	Payments for goods	Within 1 year	3.02%
Huang Mingjiang	1,300,000.00	Payments for goods	Within 1 year	2.75%
Total	22,103,903.78			46.68%

**(VI) Rewards paid to the staffs**

Item	2012/12/31	Increase in this period	Payment amount in this period	2013/6/30
Salary, bonus and allowance	69,965,631.18	148,464,607.25	162,504,856.19	55,925,382.24
Welfare expense for staffs	379,589.40	7,113,102.71	7,024,165.87	468,526.24
Social insurance fees	168,924.05	21,719,115.77	21,708,869.36	179,170.46
Including: medical insurance fees	51,274.61	6,316,015.94	6,312,335.70	54,954.85
Endowment Insurance	89,416.18	12,940,051.50	12,944,775.50	84,692.18
Unemployment insurance fees	20,251.70	1,388,232.75	1,386,144.99	22,339.46
Occupational Injury Insurance	2,573.70	594,589.84	589,519.32	7,644.22
Childbirth insurance	5,407.86	480,225.74	476,093.85	9,539.75
Reserves for houses	628,774.82	6,391,769.85	6,388,504.31	632,040.36
Trade union expense and staff education expense	230,382.52	378,650.15	479,931.62	129,101.05
Compensation for the cancellation of work relationship	0.00	678,427.00	678,427.00	0.00
Equity stimulation bonus of subcompanies	2,748,184.90	0.00	1,928,904.71	819,280.19
Others	341,025.15	28,264.74	28,264.74	341,025.15
<b>Total</b>	<b>74,462,512.02</b>	<b>184,773,937.47</b>	<b>200,741,923.80</b>	<b>58,494,525.69</b>

In the rewards paid to the staffs, the debt amount is RMB 0.00 Yuan.

The trade union expense and staff education expense amount to RMB 129,101.05 Yuan, the non-currency welfare amount is RMB 0.00 Yuan, and the compensation amount for the cancellation of work relationship is RMB 678,427.00 Yuan.

**(VII) Payable Taxes**

Item	2013/6/30	2012/12/31
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Value-added tax	5,516,928.09	27,045,774.62
Operating tax	8,519.86	4,406.31
City construction tax	2,456,950.42	5,807,640.79
Enterprise income tax	41,268,329.64	54,609,738.48
Real estate tax	1,332,941.70	1,205,108.90
Utilization tax of lands	1,040,862.93	367,516.29
Personal income tax	1,770,915.28	2,020,320.48
Stamp tax	728,254.12	924,464.10
Education surtax	2,817,719.86	4,215,701.89
Embankment protection cost	216,730.87	349,356.19
Others	82,318.65	108,282.31
<b>Total</b>	<b>57,240,471.42</b>	<b>96,658,310.36</b>

Remarks about payable taxes: if the local taxation departments agree that the taxable incomes between all sub-companies and sub-factories may be mutually adjusted, please explain the calculation process of taxes: none.

**(VIII) Interests payable**

Item	2013/6/30	2012/12/31
Interests for short-term financing bonds	14,386,146.08	8,146,146.10
Interests for medium-time bills	1,763,945.21	0.00
Interests payable for short-time loans	4,629,997.23	2,307,858.76
<b>Total</b>	<b>20,780,088.52</b>	<b>10,454,004.86</b>

**(IX) Payable dividends**

Investor name	2013/6/30	2012/12/31	Cause for Debts
Dividends for common shares	147,881,100.46	20,174.46	Not paid

Qingyuan Enterprise Company	Xinbeijiang (Group)	1,200,710.00	1,200,710.00	Not paid
Other legal person shares and personal shares in the subcompanies		1,051,300.00	1,051,300.00	Not paid
Internal staff share of subcompanies		259,800.00	259,800.00	Not paid
<b>Total</b>		<b>150,392,910.46</b>	<b>2,531,984.46</b>	

Remarks about payable dividends

In the 2012 annual Shareholders' Meeting held on June 21, 2013, the company examined and passed the *2012 Profit Distribution Plan*: Taking the total quantity of 295,721,852 shares as the base, the company will distribute the bonus of RMB 5.00 Yuan (including the tax) to all shareholders for every 10 shares. The Company distributed a total bonus of RMB 147,860,926.00 Yuan.

(X) **Other accounts payable**

(1) Particulars about other accounts payable

Item	2013/6/30	2012/12/31
Within 1 year	651,852,355.60	596,204,141.64
Over 1 year	52,775,506.35	25,960,061.48
<b>Total</b>	<b>704,627,861.95</b>	<b>622,164,203.12</b>

(2) Other accounts payable to the shareholder units holding over 5% (including 5%) voting rights in this period.

By June 30, 2013, there are no other accounts payable to the shareholder units holding over 5% (including 5%) voting rights.

(3) In the balance at end of period, the withdrawal expense amounts to RMB 433,949,363.56 Yuan, accounting for 61.59% of the balance at the end of period, and are listed as follows:

Item	2013/6/30	2012/12/31	Reason for settlement at end of period
Water and electricity expense	4,293,993.40	2,985,641.37	Not paid.

Item	2013/6/30	2012/12/31	Reason for settlement at end of period
Research expense	3,883,749.53	4,655,388.79	Not paid.
Business promotion expense	384,838,639.96	348,654,690.71	Not paid.
Leasing expense	0.00	14,530.00	Not paid.
Advertisement expense	122,254.00	230,588.19	Not paid.
Meeting expense	18,232,311.81	18,561,351.49	Not paid.
Auditing and information disclosure expenses	952,123.04	1,290,812.30	Not paid.
Operating expense of branches	7,289,339.18	9,050,113.71	Not paid.
Drainage expense	79,209.00	97,809.00	Not paid.
Others	14,257,743.64	7,756,691.84	Not paid.
<b>Total</b>	<b>433,949,363.56</b>	<b>393,297,617.40</b>	

(4) Please see the note VI for more details about the other accounts payable to associated parties.

**(XI) Non-current Liabilities Due within 1 Year**

**(1) Particulars about Non-current Liabilities Due within 1 Year**

Item	2013/6/30	2012/12/31
Long-term loan due within 1 year	400,000.00	400,000.00

**(2) Long-term loan due within 1 year**

Item	2013/6/30	2012/12/31	Interests rate	Loan period
Credit loan	400,000.00	400,000.00	Interests-Free	Not specified

In the long-term loan due within 1 year, the overdue amount that has been extended is RMB 0.00 Yuan.

The overdue amount in the long-term loan due within 1 year: none.

**(XII) Other Current Liabilities**

Type	2013/6/30	2012/12/31
Short-term financing bonds	400,000,000.00	400,000,000.00

Remarks about other current liabilities

On July 6, 2012, the first installment of short-term financing bonds for 2012 was issued to the institution investors of national inter-bank bond market (except the purchasers who are prohibited in accordance with the national laws and regulations), and the issuing amount was RMB 400,000,000.00 Yuan, and was paid on July 9, 2013.

**(XIII) Long-term Loans**

**(1) Types of Long-term Loans**

Type	2013/6/30	2012/12/31
Credit loans	700,000.00	700,000.00
Mortgage and guaranty loans	150,000,000.00	0.00
<b>Total</b>	<b>150,700,000.00</b>	<b>700,000.00</b>

Remarks about classification of long-term loans

By June 30, 2013, there are no due long-term loans which have not been repaid.

(2) Top 5 long-term loans are listed as follows:

Loan unit	Beginning date of loans	Ending date of loans	Currency	Interests rate(%)	2013/6/30		2012/12/31	
					Amount in foreign currency	Amount in book-keeping currency	Amount in foreign currency	Amount in book-keeping currency
Shaoguan Wujiang Branch of Agricultural Bank of China	2013/1/18	2016/1/31	RMB	6.15%		150,000,000.00		0.00
Fuzhou Finance Bureau	Not specified	Not specified	RMB	Interests-Free		700,000.00		700,000.00
<b>Total</b>						150,700,000.00		700,000.00

Remarks about long-term loans. If the overdue loans are extended to the long-term loans, please specify the conditions for extension, principals, interests and estimated repayment arrangement, etc: none.

(XIV) Bonds payable

Name of bonds	Book value	Issuing date	Term of bonds	Issuing amount	Interests payable on 2012/12/31	Accrued interests from January to June in 2013	Paid interests from January to June in 2013	Interests payable on 2013/6/30	2013/6/30
13 Livzon MTN1	400,000,000.00	May 29, 2013	3 years	400,000,000.00	0.00	1,763,945.21	0.00	1,763,945.21	400,000,000.00 0

On December 14, 2012, the 2012 second temporary shareholders' meeting examined and approved the *Proposal of the Company on Applying for the Issuing of the Medium-Term Financing Notes* and agreed that, the company would apply to the National Association of Financial Market Institutional Investors for the medium-term financing Notes with the total registered amount of no more than RMB 800 million Yuan (RMB 800 million Yuan). On May 29, 2013, the company issued the 2013 first installment of medium-term notes of Livzon Pharmaceutical Group Inc. with the amount of RMB 400 million Yuan and book interests rate of 5.03%.

(XV) Other non-current liabilities

Item	2013/6/30	2012/12/31
Deferred Gains	67,243,914.08	74,172,485.90

Remarks about other non-current liabilities, including all kinds of the governmental allowances that are obtained during this report period and are related to the assets and gains as well as their balances at end of period

Item	Total				
	Allowance Amount	2012/12/31	Increase in this period	Writing-off in this period	2013/6/30
Development and industrialization of Ilaprazole series of Innovation medicines	49,900,000.00	22,985,038.06	100,000.00	1,474,064.92	21,610,973.14
Guangdong Province Introduced the Innovation Research Team (2012) protein medicine study and industrialization team	30,000,000.00	20,617,624.28	0.00	718,833.95	19,898,790.33
I-type Humanized Anti-Human TNF monoclonal antibody for the purpose of treatment	11,000,000.00	1,270,621.84	600,000.00	847,698.36	1,022,923.48



Item	Total		Increase in this period	Writing-off in this period	2013/6/30
	Allowance	2012/12/31			
	Amount				
Demonstration project of solar energy photoelectric structure application	7,010,000.00	6,893,166.66	0.00	350,500.02	6,542,666.64
Allowance PVC soft packages of technical reform and bid-invitation project supported by the provincial finance	4,100,000.00	3,109,851.80	0.00	97,182.90	3,012,668.90
Famciclovir Sustained Release Capsules 0302 project	4,100,000.00	2,994,863.03	0.00	2,994,863.03	0.00
Demonstration project of managing the high-concentration organic wastewater	4,000,000.00	1,577,579.00	0.00	197,202.00	1,380,377.00
Shenqifuzheng injection	3,535,000.00	2,220,592.10	0.00	61,619.48	2,158,972.62
Financial allowance for Shenqi quality control technologies	3,500,000.00	3,316,666.66	0.00	1,254,166.66	2,062,500.00
Shanxi Hunyuan Qiyuan GAP Industrialization Production Base Construction	2,500,000.00	2,000,000.00	0.00	0.00	2,000,000.00
Leuprorelin Acetate Microspheres and injection preparation	2,300,000.00	120,000.00	0.00	120,000.00	0.00
Sterilization and kidney-quieting capsule	2,040,000.00	793,188.53	0.00	0.00	793,188.53
Three-pollen for injection	1,800,000.00	44,976.51	0.00	44,976.51	0.00
First batch of scientific research & development expense granted by District Scientific Industrial & Trade Department in 2010	1,250,000.00	1,000,000.00	0.00	0.00	1,000,000.00
Allowance for quality control of Traditional Chinese Medicine injections	1,000,000.00	1,000,000.00	0.00	583,333.33	416,666.67
Yue Cai Gong No. 319 Provincial Hi-tech Industry Development Zone Development Guide Special Fund	1,000,000.00	850,000.00	0.00	0.00	850,000.00
Special fund for Zhuhai City strategic new industry in 2012 – industry research of Tigecycline for body injection	800,000.00	45,731.88	0.00	45,731.88	0.00
Expense for the production, study and research	500,000.00	400,000.00	0.00	0.00	400,000.00

Item	Total		Increase in this period	Writing-off in this period	2013/6/30
	Allowance	2012/12/31			
	Amount				
guideline projects granted by the provincial department in 2011					
Special fund for Zhuhai City strategic new industry in 2012	500,000.00	500,000.00	0.00	0.00	500,000.00
Modern Chinese medicine hi-tech innovation industrialization base construction	500,000.00	300,004.00	0.00	49,998.00	250,006.00
Electricity-saving of lighting water pump fan and air-conditioner system	350,000.00	210,004.00	0.00	34,998.00	175,006.00
Research, development and production transfer of Jimishaxing pellets	300,000.00	212,527.55	0.00	0.00	212,527.55
Project expense for Zhuhai municipal-level enterprise technical center	300,000.00	300,000.00	0.00	0.00	300,000.00
Supporting Fund for National and Provincial Scientific and Technical Plan in 2012	250,000.00	250,000.00	0.00	0.00	250,000.00
Project expense for three types of rapid testing technology of important harmful substance tripolycyanamide in food	200,000.00	188,600.00	0.00	0.00	188,600.00
Key technical study about intelligent monitoring management system for bottled injection plant	150,000.00	150,000.00	0.00	35,625.00	114,375.00
Project expense for accurate and rapid testing technology and equipment of important harmful substance in food	150,000.00	141,450.00	0.00	0.00	141,450.00
Development of Carbohydrate and Electrolyte Injection	110,000.00	110,000.00	0.00	17,777.78	92,222.22
Research about high-throughput testing technology of harmful substances in Aquatic Products in Guangdong Province	80,000.00	80,000.00	0.00	0.00	80,000.00
Development of Ranitidine Bismuth Citrate Tablets preparations	50,000.00	0.00	50,000.00	0.00	50,000.00

Item	Total					2013/6/30
	Allowance	2012/12/31	Increase in this period	Writing-off in this period		
	Amount					
Special expense for nation regulation research of Chinese cut crude drugs technology	170,000.00	0.00	170,000.00	70,000.00	100,000.00	
In-vitro diagnostic technology product for biological and pharmaceutical technical field in 863 plan	150,000.00	0.00	150,000.00	0.00	150,000.00	
Second batch of scientific research & development expense granted by District Scientific Industrial & Trade Department in 2012	1,000,000.00	0.00	1,000,000.00	0.00	1,000,000.00	
Others	731,500.00	490,000.00	0.00	0.00	490,000.00	
<b>Total</b>	<b>135,326,500.00</b>	<b>74,172,485.90</b>	<b>2,070,000.00</b>	<b>8,998,571.82</b>	<b>67,243,914.08</b>	

**(XVI) Share capitals**

	Beginning quantity	Increase or Decrease (+ or -)				Subtotal	Ending quantity
		Issuing quantity of new shares	Bonus shares	Shares transferred from public reserve fund	Others		
Total shares	295,721,852	0.00	0.00	0.00	0.00	0.00	295,721,852

Remarks about share capital changes. If the capitals are increased or decreased during the report period, please specify the name of accountants firm performing the capital identification and No. of capital identification report; for the stock corporation operating for less than 3 years, please specify the net assets for the years before the establishment; if the limited liability company is changed to the stock corporation, please specify the capital identification details at the establishment time of company.

Item	2012/12/31	Increase or Decrease (+ or -)				Subtotal	Unit: share
		Share-rati oning Amount	Gift share amount	Shares transferred from public reserve fund	Others		2013/6/30

I. Shares with trading

restriction

Item	2012/12/31	Increase or Decrease (+ or -)					Subtotal	Unit: share 2013/6/30
		Share-rati oning Amount	Gift share amount	Shares transferred from public reserve fund	Others			
① Sponsor's shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Including:								
State-owned shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Shares held by domestic legal persons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Shares held by foreign legal persons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
② Raising legal person shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
③ Internal staff shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
④ Preference shares or others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
⑤ Circulation share with trading restriction	6,059,428	0.00	0.00	0.00	0.00	0.00	6,059,428	
Total of non-circulation shares	6,059,428	0.00	0.00	0.00	0.00	0.00	6,059,428	
II. Shares without trading restriction								
① Domestically-listed Renminbi ordinary shares	177,669,070	0.00	0.00	0.00	0.00	0.00	177,669,070	
Including: Management shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
② Domestically-listed shares for overseas investors	111,993,354	0.00	0.00	0.00	0.00	0.00	111,993,354	
Total of circulation shares	289,662,424	0.00	0.00	0.00	0.00	0.00	289,662,424	
III. Total shares	295,721,852	0.00	0.00	0.00	0.00	0.00	295,721,852	

**(XVII) Capital Reserve**

Type	2012/12/31	Increase in this period	Decrease in this period	2013/6/30
Share				
Premium	219,110,205.68	0.00	0.00	219,110,205.68
Other Capital Reserve	0.00	0.00	667,423.65	-667,423.65
<b>Total</b>	<b>219,110,205.68</b>	<b>0.00</b>	<b>667,423.65</b>	<b>218,442,782.03</b>

Remarks about capital reserve

The cause of decrease in this period is the change of fair vales of saleable financial assets.

**(XVIII) Surplus Reserve**

Type	2012/12/31	Increase in this period	Decrease in this period	2013/6/30
Legal Surplus				
Reserve	322,730,716.50	0.00	0.00	322,730,716.50
Discretionary surplus reserves	63,796,201.34	0.00	0.00	63,796,201.34
Reserve Fund	82,108,376.71	0.00	0.00	82,108,376.71
Enterprise Development Fund	21,683,742.35	0.00	0.00	21,683,742.35
<b>Total</b>	<b>490,319,036.90</b>	<b>0.00</b>	<b>0.00</b>	<b>490,319,036.90</b>

Remarks about surplus reserve: if the surplus reserve is used for increasing the share capitals, making up for the loss and distributing the dividends, please specify relevant resolutions: none.

**(XIX) Undistributed Profit**

Item	2013/6/30	2012/12/31
Undistributed profit at the beginning of period	2,023,348,842.58	1,740,645,868.60

Plus: profit transfer in the current period	259,310,414.64	441,671,519.69
Other transfers	0.00	0.00
Minus: Withdrawal of Legal Surplus Reserve	0.00	11,107,619.71
Withdrawal of staff awards or welfare funds	0.00	0.00
Withdrawal of reserve fund	0.00	0.00
Withdrawal of enterprise development fund	0.00	0.00
Profits capitalized on return of investment	0.00	0.00
Minus: Payable dividends for preference shares	0.00	0.00
Withdrawal of discretionary surplus reserves	0.00	0.00
Payable dividends for ordinary shares	147,860,926.00	147,860,926.00
Dividends for ordinary shares that are transferred to capitals	0.00	0.00
Undistributed profit at the end of period	2,134,798,331.22	2,023,348,842.58

Particulars about the adjustment of undistributed profits at the beginning of year:

(1) Due to the retrospective adjustment in accordance with the *Enterprise Accounting Standards* and relevant new regulations, the effect on the undistributed profits is RMB 0.00 Yuan.

(2) Due to the changes of accounting policies, the effect on the undistributed profits at the beginning of year is RMB 0.00 Yuan.

(3) Due to the correction of key accounting errors, the effect on the undistributed profits at the beginning of year is RMB 0.00 Yuan.

(4) Due to the changes of consolidation scopes caused by same control, the effect on the undistributed profits at the beginning of year is RMB 0.00 Yuan.

(5) Due to the other adjustments, the total effect on the undistributed profits at the beginning of year is RMB 0.00 Yuan.

Remarks about undistributed profits: for the company that publicly issues the securities for the first time, if the shareholders' meetings resolve that the accumulated profits before the issuing will be jointly shared by all new and old shareholders, please give more details; if the shareholders' meetings resolve that the accumulated profits before the issuing will be distributed and shared by all old shareholders, the company shall clearly specify the audited profit quantity of old shareholders in the dividends payable.

**(XX) Equities of the minority of shareholders**

Company name	2012/12/31		Increase or decrease from January to June 2013			2013/6/30
	Equities of the minority of shareholders	Net profits of subcompanies	Shareholding percentage of the minority of shareholders	Profit and loss of the minority of shareholders	Other changes	Equities of the minority of shareholders
Zhuhai Livzon Reagent Co., Ltd	84,226,365.07	29,767,790.21	49.00%	14,586,217.20	-5,141.86	98,807,440.41
Macau Jiaanxin Limited	205,609.03	508,116.22	49.00%	248,976.95	0.00	454,585.98
Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	15,965,254.96	12,760,897.51	7.86%	1,003,006.54	0.00	16,968,261.50
Datong Livzon Qiyuan Medicine Co., Ltd	160,210.17	-240,788.07	7.50%	-18,059.11	0.00	142,151.06
Longxi Livzon Shenyuan Medicine Co., Ltd	264,547.59	-400,427.41	10.00%	-40,042.74	0.00	224,504.85
Zhuhai Livzon – Bai A Meng Biological Materials Co., Ltd	1,111,467.95	0.00	18.00%	0.00	0.00	1,111,467.95
Zhuhai Livzon Dankang Biotechnology Co., Ltd	39,027,957.67	-10,548,115.43	49.00%	-5,168,576.56	49,000,000.00	82,859,381.11
Livzon Group Vaccine Engineering Co., Ltd	6,394,687.69	-7,033,035.61	16.15%	-1,135,835.25	0.00	5,258,852.44
Shanghai Livzon Pharmaceutical Co., Ltd	20,967,668.89	6,109,099.72	24.01%	0.00	0.00	20,967,668.89
Wenshan Livzon Panax	3,779,670.99	1,815,392.31	49.00%	889,542.23	0.00	4,669,213.22

Company name	2012/12/31		Increase or decrease from January to June 2013			2013/6/30
	Equities of the minority of shareholders	Net profits of subcompanies	Shareholding percentage of the minority of shareholders	Profit and loss of the minority of shareholders	Other changes	Equities of the minority of shareholders
Notoginseng Plantation Co., Ltd						
Total	172,103,440.01	32,738,929.45		10,365,229.26	48,994,858.14	231,463,527.4

Remarks about the equities of minority of shareholders

The increase of other changes are about the capitals invested by the minority of shareholders

**(XXI) Operating Income and Cost**

(1) Operating Income and Cost

Item	January to June 2013	January to June 2012
Main Business income	2,153,268,671.13	1,875,055,548.88
Other Business income	8,993,151.27	9,941,626.56
Total operating income	2,162,261,822.40	1,884,997,175.44
Main Business cost	800,165,299.71	740,101,590.20
Other Business cost	8,673,835.79	8,650,846.08
Total operating cost	808,839,135.50	748,752,436.28

(2) Main business (as per the product))

Item	January to June 2013		January to June 2012	
	Main Business income	Main Business cost	Main Business income	Main Business cost
I. Preparations				
1. Western medicine preparation	788,054,616.86	206,564,256.22	664,970,880.45	191,227,339.39
Including: Digestive tract	177,085,277.79	21,331,635.26	148,506,494.70	19,922,183.76



Cardiac and cerebral blood vessel	72,477,673.31	17,181,393.35	72,112,143.33	16,872,094.93
Antimicrobial drugs(including the imported drugs)	133,415,458.61	38,257,257.31	143,641,033.48	47,025,617.99
Gonadotropic hormone	270,853,274.68	93,290,769.53	219,119,425.83	78,003,650.95
Others	134,222,932.47	36,503,200.77	81,591,783.11	29,403,791.76
2. Chinese traditional drug preparation	791,562,122.89	161,538,367.54	654,809,638.39	138,137,695.39
Subtotal of preparations:	1,579,616,739.75	368,102,623.76	1,319,780,518.84	329,365,034.78
II. Raw material drugs	397,815,396.77	349,888,612.78	402,904,511.57	341,271,934.47
III. Diagnostic reagents and equipments	175,836,534.61	82,174,063.17	152,370,518.47	69,464,620.95
<b>Total</b>	<b>2,153,268,671.13</b>	<b>800,165,299.71</b>	<b>1,875,055,548.88</b>	<b>740,101,590.20</b>

(3) Main business (as per the regions)

Item	January to June 2013		January to June 2012	
	Main Business income	Main Business cost	Main Business income	Main Business cost
Domestic	1,994,155,417.81	675,376,831.05	1,688,892,213.94	604,859,850.24
Overseas	159,113,253.32	124,788,468.66	186,163,334.94	135,241,739.96
<b>Total</b>	<b>2,153,268,671.13</b>	<b>800,165,299.71</b>	<b>1,875,055,548.88</b>	<b>740,101,590.20</b>

(4) Particulars about operating incomes from top 5 clients

Client name	January to June 2013		January to June 2012	
	Sales amount	Percentage in the total sales amount	Sales amount	Percentage in the total sales amount

Total of top 5 clients	180,634,763.82	8.35%	163,182,152.06	8.66%
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**(XXII) Business Tax and Surtax**

Item	January to June 2013	January to June 2012	Payment standard
City construction tax	14,776,878.51	14,078,788.16	
Education surtax	11,355,712.40	8,864,444.08	
Embankment protection cost	927,700.53	1,230,758.77	
Business Tax	41,666.43	20,900.57	
Others	117,312.21	81,144.92	
<b>Total</b>	<b>27,219,270.08</b>	<b>24,276,036.50</b>	

Remarks about Business Tax and Surtax

See the note III for the details about payment standards of all operating taxes and surtax.

**(XXIII) Sales expense**

Item	January to June 2013	January to June 2012
Sales expense	825,119,808.36	674,023,464.01

**(XXIV) Management expense**

Item	January to June 2013	January to June 2012
Management expense	189,171,222.87	157,636,704.20

**(XXV) Financial expense**

Item	January to June 2013	January to June 2012
Interest payment	4,046,904.86	13,292,714.08
Minus: Interest income	12,448,188.23	26,014,646.03
Profit and loss in the exchange	-3,663,026.19	-83,894.56
Formality expense charged by banks	1,267,520.48	1,746,455.22
<b>Total</b>	<b>-10,796,789.08</b>	<b>-11,059,371.29</b>

**(XXVI) Loss of asset depreciation**

Item	January to June 2013	January to June 2012
Reserves for Bad Accounts	9,991,960.93	9,032,263.63
Depreciation Reserve for inventory	6,038,616.90	4,099,399.46
Depreciation Reserve for fixed assets	0.00	13,983.23
<b>Total</b>	<b>16,030,577.83</b>	<b>13,145,646.32</b>

**(XXVII) Gains from changes of fair values**

Sources of profits caused by the changes of fair values	January to June 2013	January to June 2012
Tradable financial assets	-1,242,332.26	2,114,503.89
Including: shares	-1,220,089.59	2,090,588.37
Fund	-22,242.67	23,915.52

**(XXVIII) Investment returns**

## (1) Particulars about investment returns

Item	January to June 2013	January to June 2012
Long-term equity investment calculated by cost method	343,750.00	0.00
Long-term equity investment calculated by equity method	1,708,850.99	141,933.89
Investment returns obtained by the disposal of long-term equity investments	0.00	0.00
Investment returns obtained by the holding of tradable financial assets	184,588.99	880,017.00
Investment returns obtained during the returns period of investments held to the maturity date	0.00	0.00
Investment returns obtained by the holding of saleable financial assets	0.00	151,818.90
Investment returns obtained by the disposal of tradable financial assets	849,784.78	557,698.78

Investment returns obtained from the investments held to the maturity date	0.00	0.00
Investment returns obtained from the saleable financial assets	0.00	0.00
Others	0.00	0.00
<b>Total</b>	<b>3,086,974.76</b>	<b>1,731,468.57</b>

(2) Long-term equity investment returns calculated by cost method

Invested unit	January to June 2013	January to June 2012	Reason for the changes compared with previous period
Ruiheng Pharmaceutical Technology Investment Co., Ltd	343,750.00	0.00	Bonus from invested unit

(3) Long-term equity investment returns calculated by equity method

Invested unit	January to June 2013	January to June 2012	Reason for the changes compared with previous period
Guangdong Blue Treasure Pharmaceutical Co. Ltd.	1,888,090.28	1,179,331.97	Returns changes of invested unit
Tongyikangshimei Chain (Shenzhen) Co., Ltd	-179,239.29	-1,037,398.08	Returns changes of invested unit
<b>Total</b>	<b>1,708,850.99</b>	<b>141,933.89</b>	

Remarks about investment returns: if the remittance of investment returns has the key restrictions, please specify it. If there are no such key restrictions, please also specify it: none.

**(XXIX) Non-operating Income**

(1) Particulars about Non-operating Income

Item	January to June 2013	January to June 2012	Amount accrued to the current non-recurring profit and loss
Total profit of non-current asset	329,936.16	90,772.51	329,936.16

disposal			
Including: Profit of fixed asset			
disposal	329,936.16	90,772.51	329,936.16
Penalty income	37,672.50	19,650.00	37,672.50
Waste income	143,243.13	129,382.45	143,243.13
Governmental allowance	12,883,755.38	11,882,340.48	12,883,755.38
Compensation income	812,555.00	0.00	812,555.00
Payments that will not be paid	602,512.31	0.00	602,512.31
Others	229,120.91	437,948.35	229,120.91
<b>Total</b>	<b>15,038,795.39</b>	<b>12,560,093.79</b>	<b>15,038,795.39</b>

(2) Particulars about governmental allowances

Type	January to June 2013	January to June 2012	Source unit	Approval document
Guangdong Province Introduced the Innovation Research Team (2012) protein medicine study and industrialization team	718,833.95	0.00	Zhuhai Science, Industry, Trade and Information Department	Yue Cai Jiao[2012] No. 319
Three researches of new medicines of I-type Humanized Anti-Human TNF monoclonal antibody for the purpose of treatment in Guangdong Strategic new industry core technology breakthrough (2011)	847,698.36	6,088,077.82	Zhuhai Science, Industry, Trade and Information Department/Zhuhai Finance Bureau	Yue Ke Gui Hua Zi [2011] No. 167/Zhu Ke Gong Mao Xin Ji [2012] No. 19 Yue Fa Gai Gao[2008] No.1282
Development and industrialization of Ilaprazole series of Innovation medicines	1,474,064.92	1,374,064.92	Zhuhai Finance Bureau	Fa Gai Ban Gao Ji[2008] No. 2223 Yue Cai Gong[2010] No. 445
Famciclovir Sustained Release Capsules 0302 project Industrialization project of Leuprorelin Acetate Microspheres for Injection	2,994,863.03 0.00	0.00 400,000.00	Zhuhai Finance Bureau Shanghai Science & Technology Commission	— —
Allowance for Fuzhou Industrial Energy-saving and Circulating Economy Projects in 2012	600,000.00	0.00	Fuqing Finance Bureau	Rong Cai Qi (Zhi) [2013] No. 3
Allowance for quality control of Traditional Chinese	583,333.33	0.00	Shaoguan Finance Bureau	—

Type	January to June 2013	January to June 2012	Source unit	Approval document
Medicine injections				
Supporting funds for enterprises	73,142.00	0.00	Fuqing Finance Bureau	—
Allowances for technical research and development	300,000.00	0.00	Fuqing Finance Bureau	Rong Cai Qi (Zhi) [2013] No. 20
Little Giant Cultivation Enterprise	200,000.00	1,100,000.00	Shanghai Science & Technology Commission	Hu Ke[2010] No. 407
Absorption purified inactivated Japanese encephalitis virus vaccine – Zhuhai Hi-tech field technology breakthrough and hi-tech industry	0.00	1,000,000.00	Zhuhai Science, Industry, Trade and Information Department	Zhu Ke Gong Mao Xin Ji[2011] No. 16
Guangdong Provincial Public Service Platform Construction for foreign trade	0.00	1,017,010.50	Zhuhai Finance Bureau	Cai Qi [2011] No. 88
Guangdong Provincial Patent Prize	0.00	100,000.00	Zhuhai Finance Bureau	Yue Cai Jiao [2011] No. 522
Granting expense for hi-tech enterprise from Fuzhou Finance Bureau	0.00	100,000.00	Fuzhou Finance Bureau	—
Allowance granted by Shanghai Science & Technology Commission	120,000.00	0.00	Shanghai Science & Technology Commission	—
Special expense for nation regulation research of Chinese cut crude drugs technology	70,000.00	0.00	Zhuhai Finance Bureau	—
Special fund for renewable energy in 2012	300,000.00	0.00	Zhuhai House and Urban Planning & Construction Bureau /Zhuhai Finance Bureau	Zhu Gui Jian Zhi [2013] No.4
Fund for importing allowance in the second half of 2012	235,210.00	0.00	Zhuhai Finance Bureau	—
Research about the quality standard improvement of antivirus granules	200,000.00	0.00	Pengzhou Industry and Scientific & Technical Information Bureau	—
Award fund for enterprises	500,000.00	0.00	Ningxia Pingluo Industry Bureau and Commerce Bureau	Ping Dang Fa [2013] No.24
Special fund for Zhuhai City strategic new industry in 2012 – industry research of Tigecycline for body injection	45,731.88	0.00	Zhuhai Finance Bureau	—
Three-pollen for injection	44,976.51	0.00	Zhuhai Finance Bureau	—
Refunding of rewards to guaranty enterprise for employing the disabled	419,347.31	0.00	Zhuhai Finance Bureau	—
Demonstration project of managing the	197,202.00	197,202.00	Zhuhai Environmental Protection	—

Type	January to June 2013	January to June 2012	Source unit	Approval document
high-concentration organic wastewater			Bureau	
Sterilization and kidney-quieting capsule	0.00	35,000.00	Zhuhai Science and Technology Department	Yue Ke Ji Zi [2007] No. 172
Special expense for intellectual property protection in Qingyuan City	0.00	50,000.00	Qingyuan Finance Bureau	Qing Cai Jiao [2010]No. 90
Supporting fund for patent technologies	100,000.00	0.00	Zhuhai Finance Bureau	Zhu Zhi [2012] No. 32
Allowance PVC soft packages of technical reform and bid-invitation project supported by the provincial finance	97,182.90	330,512.24	National Development and Reform Commission	Yue Ke Ji Zi [2007] No. 172
Financial allowance for Shenqi quality control technologies granted by Shaoguan Science & Technology Bureau	1,254,166.66	0.00	Shaoguan Finance Bureau/ Science & Technology Bureau	Shao Guan Cai Jiao [2011] No.79
Demonstration project of solar energy photoelectric structure application	350,500.02	0.00	Zhuhai Finance Bureau	—
Award capital for power utilization	187,720.00	0.00	Fuzhou Finance Bureau	Min Jing Mao Yun Xing [2012] No.323
First batch of financial award for energy-saving economy in Fujian Province	190,000.00	0.00	Gutian Finance Bureau	Gu Cai Qi [2012] No.46
Modern Chinese medicine hi-tech innovation industrialization base construction	49,998.00	0.00	Shaoguan Finance Bureau	Shao Cai Gong[2010] No.170
Export credit insurance allowance	290,042.00	61,497.00	Fujian Branch of China Export & Credit Insurance Corporation /Fuzhou Finance Department/Fuzhou Jin'an Finance Department	—
Electricity-saving of lighting water pump fan and air-conditioner system	34,998.00	0.00	Shaoguan Finance Bureau	Shao Cai Gong[2010]179
Award for power utilization	144,100.00	0.00	Gutian Finance Bureau	Gu Zheng Wen [2012] No.276
Allowance for energy consumption	8,700.00	8,976.00	Pengzhou Industry and Scientific & Technical Information Bureau/Management Commission of Zhuhai Bonded area	—

Type	January to June 2013	January to June 2012	Source unit	Approval document
Shenqifuzheng injection	61,619.48	0.00	Zhuhai Finance Bureau	—
Award for excellent tax-payer enterprises	10,000.00	0.00	Zhuhai Science, Industry and Trade Bureau	—
Others	180,325.03	20,000.00	—	—
<b>Total</b>	<b>12,883,755.38</b>	<b>11,882,340.48</b>		

**(XXX) Non-operating Expense**

Item	January to June 2013	January to June 2012	Amount accrued to the current non-recurring profit and loss
Total of loss for disposal of the non-current assets	4,620.05	76,607.97	4,620.05
Including: Loss for disposal of fixed assets	4,620.05	76,607.97	4,620.05
Rejection of fixed assets	78,659.03	123,437.56	78,659.03
Penalty payments	34,016.35	0.00	34,016.35
Public welfare donations	1,268,264.83	0.00	1,268,264.83
Others	76,863.32	24,349.86	76,863.32
<b>Total</b>	<b>1,462,423.58</b>	<b>224,395.39</b>	<b>1,462,423.58</b>

**(XXXI) Income Taxes**

Item	January to June 2013	January to June 2012
Current income tax calculated in accordance with taxation law and relevant regulations	52,634,810.70	51,114,053.37
Adjustment of deferred income tax	-210,843.45	-3,442,061.28
<b>Total</b>	<b>52,423,967.25</b>	<b>47,671,992.09</b>

**(XXXII) Calculation Steps of Basic profit per share and Diluted profit per share**

(1) List of Basic profit per share and Diluted profit per share



Profit in the report period	January to June 2013		January to June 2012	
	Basic profit per share	Diluted profit per share	Basic profit per share	Diluted profit per share
Net profit attributable to the ordinary shareholders	0.88	0.88	0.77	0.77
Net profit attributable to the ordinary shareholders after deduction of non-recurring profit and loss	0.84	0.84	0.74	0.74

(2) Calculation Steps of profit per share and Diluted profit per share

Item	No	January to June 2013	January to June 2012
Net profit attributable to the ordinary shareholders	A	259,310,414.64	228,705,016.39
Non-recurring profit and loss	B	10,929,243.30	11,024,172.04
Net profit attributable to the ordinary shareholders after deduction of non-recurring profit and loss	C=A-B	248,381,171.34	217,680,844.35
Total quantity of shares in the beginning of period	D	295,721,852	295,721,852
Increase quantity of shares due to the transfer from public reserves to share capitals or the distribution of share dividends in the report period	E	0	0
Increase quantity of shares due to the issuing of new shares or transfer from debts to shares in the report period	F	0	0
Length from the next month after share increase to the end of report period (unit: month)	G	0	0
Decrease quantity of shares due to the repurchase in the report period	H	0	0
Length from the next month of share decrease to the end of report period (unit: month)	I	0	0
Decrease quantity of shares in the report period	J	0	0
Length of report period (unit: month)	K	6	6

The weighted average number of ordinary shares which are issued to the public	$L=D+E+F \cdot G/K-H \cdot I/K-J$	295,721,852	295,721,852
Basic profit per share	$M=A/L$	0.88	0.77
Basic profit per share after deduction of non-recurring profit and loss	$N=C/L$	0.84	0.74

During the report period, the company has no diluted potential ordinary shares, so the diluted profit per share is equal to the basic profit per share.

**(XXXIII) List of other comprehensive returns**

Item	January to June 2013	January to June 2012
1. Profit (loss) caused by the saleable financial assets	-785,204.28	418,872.56
Minus: Income tax effect of saleable financial assets	-117,780.63	62,830.89
Net amount that was accrued to other comprehensive gains in the previous periods and is transferred to the current profit and loss	0.00	0.00
Subtotal	-667,423.65	356,041.67
2. Shares in the other comprehensive gains of invested units calculated by Equity Method	0.00	0.00
Minus: Income tax effect of the shares in the other comprehensive gains of invested units calculated by Equity Method	0.00	0.00
Net amount that was accrued to other comprehensive gains in the previous periods and is transferred to the current profit and loss	0.00	0.00
Subtotal	0.00	0.00
3. Profit (or loss) caused by cash flow hedging instruments	0.00	0.00
Minus: Income tax effect of cash flow hedging instruments	0.00	0.00
Net amount that was accrued to other comprehensive gains in the previous periods and is transferred to the current profit and loss	0.00	0.00
Adjusted amount that was transferred as the initial confirmation amount of hedged item	0.00	0.00

Subtotal	0.00	0.00
4. Conversion difference of foreign currency financial statements	-1,382,723.45	408,419.31
Minus: Net amount that is transferred to the current profit and loss due to disposal of overseas operation	0.00	0.00
Subtotal	-1,382,723.45	408,419.31
5. Others	0.00	0.00
Minus: Effect of income tax that is accrued to the other comprehensive gains	0.00	0.00
Net amount that was accrued to other comprehensive gains in the previous periods and is transferred to the current profit and loss	0.00	0.00
Subtotal	0.00	0.00
Total	-2,050,147.10	764,460.98

**(XXXIV) Notes to cash flow statement**

**(1) Other Cashes Received Related to the Operating Activities**

Item	January to June 2013	January to June 2012
Deposit	26,543,475.79	18,787,523.84
Fund transfer	3,277,195.42	36,872,284.67
Governmental allowance	5,955,183.56	6,793,339.10
Interest income	12,448,188.23	26,014,646.03
Penalty income	37,672.50	5,260.00
Deposit	264,281.80	0.00
Incomes from selling the wastes	143,243.13	59,151.70
Compensation incomes	812,555.00	75,944.04
Deposits for L/C	17,506,921.43	0.00
Others	11,602,722.89	5,552,294.12
Total	78,591,439.75	94,160,443.50

## (2) Other Cashes Paid Related to the Operating Activities

Item	January to June 2013	January to June 2012
Office expense	12,269,529.30	9,517,800.81
Traveling expense	12,595,001.56	9,665,747.24
Communication expense	12,283,515.34	6,722,786.41
Water and electricity expenses	1,874,089.03	4,497,413.15
Transportation expense	20,372,627.24	18,386,249.74
Advertising expense	7,588,664.09	3,781,934.50
Meeting expense	17,788,236.88	8,254,796.75
Lease expense	5,606,270.50	3,486,116.44
Maintenance expense	1,402,895.53	2,029,292.74
Environment Protection Cost	1,417,550.69	48,518.00
Auditing expense and information disclosure expense	2,292,668.99	1,287,532.44
Insurance	586,972.05	1,408,163.39
Meeting expense of Board of Directors	53,585.60	500,640.48
Consultancy expense of consultants	13,163,940.54	543,764.77
Research and development expense	14,059,250.06	17,828,284.09
Lawsuit expense	487,349.00	175,246.00
Bid-invitation expense	741,420.62	242,800.00
Testing and inspection expenses	606,361.36	148,928.22
Formality expenses charged	1,267,520.48	1,746,455.22

Item	January to June 2013	January to June 2012
by banks		
Penalty payment	34,016.35	0.00
Reserve fund	11,381,855.03	26,996,161.21
Deposit	10,995,626.67	29,929,694.41
Fund transfer	7,772,800.53	81,633,637.84
Business promotion expense	685,772,456.41	519,886,307.32
Deposits for L/C and bank acceptance drafts	9,996,654.30	0.00
Transfer royalty of technologies	2,100,000.00	4,475,000.00
Others	7,232,776.33	6,409,714.92
<b>Total</b>	<b>861,743,634.48</b>	<b>759,602,986.09</b>

(3) Other cashes paid related to investment activities

Item	January to June 2013	January to June 2012
Deposits for L/C	5,400,000.00	0.00

**(XXXV) Supplementary Data of Consolidated Cash Flow Statement**

(1) Supplementary data of cash flow statement

Item	January to June 2013	January to June 2012
1. Reconciliation of net profit to cash flow from operating activities:		
Net profits	269,675,643.90	246,731,938.19
Plus: Reserve for asset depreciation	16,030,577.83	13,145,646.32
Fixed asset depreciation, consumption of oil and gas assets and production biology asset depreciation	70,064,684.65	65,105,818.86
Amortization of intangible assets	9,503,685.18	9,508,058.36
Amortization of long-term amortization expense and long-term assets	5,671,058.62	4,238,759.48
Loss in disposal of fixed assets, intangible assets and other long-term	-325,316.11	-14,164.54

Item	January to June 2013	January to June 2012
assets (the profits will be listed beginning with "-")		
Loss in the rejection of fixed assets (the profits will be listed beginning with "-")	78,659.03	123,437.56
Loss in the changes of fair values (the profits will be listed beginning with "-")	1,242,332.26	-2,114,503.89
Financial expense (the profits will be listed beginning with "-")	644,227.39	12,221,496.07
Investment loss (the profits will be listed beginning with "-")	-3,086,974.76	-1,731,468.57
Decrease of deferred income tax assets (the increase will be listed beginning with "-")	-427,784.25	-3,579,650.01
Increase of deferred income tax liabilities (the decrease will be listed beginning with "-")	216,940.80	137,588.73
Decrease of inventory (the increase will be listed beginning with "-")	-55,357,012.81	-83,216,519.03
Decrease of receivable operating items (the increase will be listed beginning with "-")	-277,041,226.17	-138,374,517.32
Increase of payable operating items (the decrease will be listed beginning with "-")	148,941,527.98	213,234,465.73
Others	0.00	0.00
Net amount of cash flow from the operating activities	185,831,023.54	335,416,385.94
2.Key investment and financing activities not involving the cash income and payment		
Transfer from liabilities to share capital	0.00	0.00
Convertible company bonds due within one year	0.00	0.00
Financing leasing of fixed assets	0.00	0.00
3.Change of cash and cash equivalents:		
Cash balance at the end of period	1,412,608,467.91	885,462,208.68
Minus: cash balance at the beginning of period	1,178,636,300.52	1,432,175,794.78
Plus: cash equivalent balance at the end of period	0.00	0.00
Minus: cash equivalent balance at the beginning of period	0.00	0.00
Net increase of cash and cash equivalent	233,972,167.39	-546,713,586.10

(2) Relevant information about the obtaining or disposal of the subsidiaries or other operating units in this period: none

(3) Composition of Cash and Cash Equivalents

Item	2013/6/30	2012/6/30
I. Cash	1,412,608,467.91	885,462,208.68
Including: Cash at stock	104,156.71	185,221.13
Deposits in banks that may be used for payment randomly	1,411,792,956.41	881,294,548.86
Other Currency Capitals that may be used for payment randomly	711,354.79	3,982,438.69
II. Cash equivalents	0.00	0.00
Including: Bond investment due within 3 months	0.00	0.00
III. Cash and cash equivalent balances at the end of period	1,412,608,467.91	885,462,208.68

## XI. Relationship and Transaction of Associated Parties

### 1. Parent company of this enterprise

Name of Parent Company	Associati on relationship	Enterpris e type	Regist ered place	Legal Repres entative	Business nature	Registered capital	Sharehol ding percentag e of parent company in this enterprise (%)	Voting right percentag e of parent company in this enterprise (%)	Final controller of this enterprise	Organizati on Code
Joincare Pharmaceutical Group Industry Co., Ltd	Controllin g shareholder	Company (Listed company)	Shenz hen	Zhu Baoguo	Production and sales of oral liquids, medicines and health-care	1,545,835,892	26.2105%	26.2105%	Zhu Baoguo	61887436-7

food

Remarks about parent company of this enterprise

By June 30, 2013, the parent company and its subcompanies of this company has held a total of 140,122,590 shares, accounting for 47.3832% of all shares. In such shares, the formalities for transferring the equities of 6,059,428 legal person shares held in the name of Guangzhou Begol Trading Corporation to Joincare Group have not been handled, and the formalities for transferring the other shares have been handled.

**2. Subcompanies of this enterprise**

Please see the note IV for more details.

**3. Joint venture and associated enterprises of this enterprise**

Please see the Note V. 9 and Note V.10.

**4. Other associated parties of this enterprise**

Name of other associated parties	Relationship with this company	Organization code
Shenzhen Haibin Pharmaceutical Co., Ltd	Company controlled by parent company	61885517-4
Jiaozuo Joincare Pharmaceutical Group Industry Co., Ltd	Company controlled by parent company	77512952-0
Zhuhai Joincare Pharmaceutical Group Industry Co., Ltd	Company controlled by parent company	75788087-1
Health Pharmaceutical (China) Co., Ltd	Company controlled by parent company	61749891-0
Shenzhen Taitai Pharmaceutical Company Limited	Company controlled by parent company	74121715-1
Shenzhen Taitai Gene Engineering Co., Ltd	Company controlled by parent company	73308333-3

**5. Transactions between associated parties**

(1) List about purchase of commodities and labors

Associated party	Details about associated transaction	Pricing mode and decision-making procedure of	January to June 2013	January to June 2012
			Amount	Amount
			Percentage in Similar Transaction Amount (%)	Percentage in Similar Transaction Amount (%)



				associated				
				transaction				
Guangdong Pharmaceutical Co. Ltd.	Blue Treasure	Raw materials	Market price	1,204,449.85	0.15%	4,186,303.80	0.40%	
Shenzhen Pharmaceutical Co., Ltd	Haibin	Raw materials	Market price	4,104,700.85	0.51%	22,649.57	0.00%	
Health Co., Ltd	Pharmaceutical (China)	Low-value consumables	Market price	0.00	0.00%	10,089.60	0.00%	
Shenzhen Engineering Co., Ltd	Taitai Gene	Low-value consumables	Market price	64,102.56	0.01%	145,299.15	0.01%	
Joincare Group Industry Co., Ltd	Pharmaceutical	Production of finished products	Market price	0.00	0.00%	102,564.10	0.01%	
Jiaozuo Pharmaceutical Co., Ltd	Joincare Pharmaceutical Group Industry	Raw materials	Market price	61,303,294.38	7.66%	29,478,803.42	2.82%	
Total				66,676,547.64	8.33%	33,945,709.64	3.24%	

(2) List about sales of commodities and provision of labors

			Pricing	January to June 2013		January to June 2012	
			mode and				
Associated party	Details about associated transaction	decision-ma king procedure of associated transaction	Amount	Percentage in Similar Transaction Amount (%)	Amount	Percentage in Similar Transaction Amount (%)	
Zhuhai Pharmaceutical Co., Ltd	Joincare Pharmaceutical Group Industry	Production of finished products	Market price	5,686.36	0.00%	10,077.94	0.00%
Guangdong Pharmaceutical Co. Ltd.	Blue Treasure	Production of finished products	Market price	18,066,712.74	0.84%	4,836,505.58	0.26%
Jiaozuo	Joincare	Raw	Market price	434,704.27	0.02%	3,076.92	0.00%

Pharmaceutical Group Industry Co., Ltd	materials						
Total of commodity sales		18,507,103.37	0.86%	4,849,660.44	0.26%		
Guangdong Blue Treasure Pharmaceutical Co. Ltd.	Water, electricity and power	Market price	2,517,340.10	97.64%			
						3,033,195.13	71.38%
Zhuhai Pharmaceutical Group Industry Co., Ltd	Water, electricity and power	Market price	60,821.68	2.36%			
						0.00	0.00%
Total of labor provision		2,578,161.78	100.00%	3,033,195.13	71.38%		

(3) Associated renting

List of renting by the company

Rentee name	Renter name	Types of renting assets	Beginning date of renting	Ending date of renting	Pricing basis of renting incomes	Renting incomes confirmed in this period
The company	Zhuhai Pharmaceutical Group Industry Co., Ltd	Joincare Houses and structures	January 2013	December 2013	Market price	228,860.07
The company	Health Pharmaceutical (China) Co., Ltd	Houses and structures	March 2011	December 2013	Market price	58,303.00

List of renting by the company

Rentee name	Renter name	Types of renting assets	Beginning date of renting	Ending date of renting	Pricing basis of renting incomes	Renting incomes confirmed in this period
Joincare Group	Pharmaceutical The Industry Co., Ltd	company Houses and structures	February 2013	February 2014	Market price	329,472.00

(4) Associated guaranty

The bank loan guaranties that the company provides to the controlling subcompanies during the report period are listed as follows: (RMB 10 thousand Yuan):

Name of Guarantee	Occurrence Date	Balance at the end of period	Actual guarantee amount	Guarantee Amount	Guaranty type	Period
	(Signing date of agreement)					
Zhuhai Livzon Reagent Co., Ltd	2013.3.20	0.00	0.00	4,000.00	Joint and several liability guaranty	2013.3.20-2015.3.20(Zhuhai Branch of Bank of China)
Zhuhai Livzon Reagent Co., Ltd	2012.3.22	0.00	0.00	1,235.74 (USD200.00)	Joint and several liability guaranty	2012.3.22-2015.3.21(Zhuhai Branch of Standard Chartered Bank)
Zhuhai Livzon Medicine Trade Co., Ltd	2012.7.2	0.00	0.00	1,000.00	Joint and several liability guaranty	2012.7.2-2015.7.2(Zhuhai Branch of Bank of Communications)
Limin Pharmaceutical Co., Ltd under Livzon Group	2012.4.17	15,000.00	15,000.00	15,000.00	Joint and several liability guaranty	2012.4.17-2015.4.16(Shaoguan Wujiang Branch of Agricultural Bank of China)
Livzon Syntpharm Co., Ltd in Zhuhai Bonded Area	2012.6.7	0.00	0.00	3,000.00	Joint and several liability guaranty	2012.6.7-2015.6.7(China Resources Bank of Zhuhai Co., Ltd)
Livzon Pharmaceutical Factory under Livzon Group	2012.5.17	0.00	0.00	16,000.00	Joint and several liability guaranty	2012.5.17-2015.5.16(Zhuhai Branch of Xiamen International Bank)
Livzon Pharmaceutical Factory under Livzon Group	2010.12.23	0.00	0.00	32,000.00	Joint and several liability guaranty	2010.12.14-2018.12.14(Zhuhai Branch of Bank of Communications)

Name of Guarantee	Occurrence Date	Balance at the end of period	Actual guarantee amount	Guarantee Amount	Guaranty type	Period
	(Signing date of agreement)					
Livzon Pharmaceutical Factory under Livzon Group	2009.10.15	0.00	0.00	12,000.00	Joint and several liability guaranty	2010.6.12-2018.6.3(Zhuhai Branch of Bank of China)
Livzon Pharmaceutical Factory under Livzon Group	2012.6.15	0.00	0.00	10,000.00	Joint and several liability guaranty	2012.6.15-2015.6.15(Zhuhai Branch of Bank of China)
Livzon Pharmaceutical Factory under Livzon Group	2010.5.13	0.00	0.00	7,965.50 (HKD10,000.00)	Joint and several liability guaranty	2010.7.20-2013.7.20(Shenzhen Branch of Nanyang Commercial Bank)
Livzon Pharmaceutical Factory under Livzon Group	2012.7.31	0.00	0.00	4,016.16 (USD650.00)	Joint and several liability guaranty	2012.7-31-2015.7.31(Guangzhou Branch of Societe Generale)
Livzon Pharmaceutical Factory under Livzon Group	2012.6.7	1,194.83	1,194.83 (HKD1,500.00)	9,000.00	Joint and several liability guaranty	2012.6.7-2015.6.7(China Resources Bank of Zhuhai Co., Ltd)
Livzon Pharmaceutical Factory under Livzon Group	2011.8.4	0.00	0.00	4,381.03 (HKD5,500.00)	Joint and several liability guaranty	2011.8.4-2014.8.4(Macau Branch of Wing Lung Bank)
Total guaranty amount to its controlling subcompanies in the report period			16,194.83			
Total balance of guaranty amount to its controlling			16,194.83			

Name of Guarantee	Occurrence Date	Balance at the end of period	Actual guarantee amount	Guarantee Amount	Guaranty type	Period
	(Signing date of agreement)					
subcompanies in the report period						

(5) Other associated transactions

On June 3, 2013, the 2013 first temporary shareholders' meeting of Zhuhai Livzon Dankang Biotechnology Co., Ltd resolved that, the registered capital of company increased to RMB 300 million Yuan, and the company shareholders would increase the capitals based on the original contribution percentage, i.e., the company increases the capitals by RMB 102 million Yuan, and Joincare Pharmaceutical Group Industry Co., Ltd increases the capitals by RMB 98 million Yuan. On June 7, 2013, the above increase of capitals have been examined and approved by the 2013 second temporary shareholders' meeting.

**6. Receivable and payable balances with associated parties**

(1) Receivable balances of listed company from the associated parties

Project Name	Associated parties	2013/6/30		2012/12/31	
		Book balance	Reserve for bad debts	Book balance	Reserve for bad debts
Accounts receivable	Guangdong Blue Treasure Pharmaceutical Co. Ltd.	8,068,533.90	403,426.70	8,724,846.80	436,242.34
Accounts receivable	Zhuhai Joincare Pharmaceutical Group Industry Co., Ltd	44,287.98	25,430.20	19,928.25	996.41
Accounts receivable	Jiaozuo Joincare Pharmaceutical Group Industry Co., Ltd	508,604.00	2,214.40	0.00	0.00
Subtotal		8,621,425.88	431,071.30	8,744,775.05	437,238.75
Other accounts receivable	Zhuhai Joincare Pharmaceutical Group Industry Co., Ltd	26,386.99	1,319.35	26,386.99	1,319.35
Other accounts receivable	Health Pharmaceutical (China) Co., Ltd	8,329.00	416.45	0.00	0.00
Other accounts receivable	Jiaozuo Joincare	139,991.92	6,999.60	0.00	0.00

receivable	Pharmaceutical Industry Co., Ltd	Group				
Other accounts receivable	Guangdong Pharmaceutical Co. Ltd.	Blue Treasure	1,353,138.58	67,656.93	942,888.96	47,144.45
Subtotal			1,527,846.49	76,392.33	969,275.95	48,463.80

(2) Accounts payable to associated parties by the listed company

Project Name	Associated party	2013/6/30	2012/12/31
Accounts payable	Guangdong Blue Treasure Pharmaceutical Co. Ltd.	0.00	275.00
Accounts payable	Shenzhen Haibin Pharmaceutical Co., Ltd	3,835,000.00	4,065,860.00
Accounts payable	Jiaozuo Joincare Pharmaceutical Group Industry Co., Ltd	46,795,101.52	25,289,950.00
Subtotal		50,630,101.52	29,356,085.00
Other accounts payable	Jiaozuo Joincare Pharmaceutical Group Industry Co., Ltd	11,656.21	7,261.05
Other accounts payable	Joincare Pharmaceutical Group Industry Co., Ltd	1,208,064.00	878,592.00
Subtotal		1,219,720.21	885,853.05

## VII. Contingent Events

By June 30, 2013, the company has no contingent key events for disclosure.

## VIII. Commitments

1. This company signed the patent license agreement with Korea Yiyang Medicine Company. This agreement approves our company's exclusive and irrevocable right to use the patent PPI(proton pump inhibitor) compound and Yiyang patent in China including Hong Kong and Macao for the purpose of production, processing and distribution. The transfer fee will be USD 2.50 million, and by December 31, 2008, the company has fully paid it. The company agrees to give Yiyang the commission of 10% of sales amount during the first three years when this product begins to be sold, 8% of sales amount during the next five years, and 6% of sales amount from the remaining time to July 22, 2014 (the expiry date of agreement). Since 2009, the company has started the sales and paid the commissions in accordance

with the agreement.

2. In 2005, the company signed the approval and supply agreement with Korea LG life science Ltd. (hereinafter referred to as LG Company), and it grants Gemifloxacin Mesylate with the relevant certificates about intellectual properties and specifies that the permission fees of the methanesulfonic acid spasmolytic and pellet will be USD1, 000,000 respectively (they have been fully paid by December 31, 2006). This agreement specifies as follows:

Within the first five years from the validity date of the agreement, the company's net sales volume of above final pellet products will amount to 1.5 million bags (3 pellets in each bag) and LG Company will refund USD 500,000 after the taxation at one time within two months after the company has submitted the net sales volume certificate. At the same time, during the validity period of the agreement (by the end of 2015), the company should pay a royalty of 1.5% of net sales volume after the taxation to LG Company during 30 days after each quarter. The company has begun the selling activities in 2008 and paid the royalties in accordance with the agreements.

Within the first five years from the validity date of the agreement, the company will pay a royalty of 10% of net sales volume after the taxation about injection products to LG Company within 30 days after each quarter. The company will pay a royalty of 6% of net sales volume after the taxation about injection products to LG Company within 30 days after each quarter from the sixth business year to the expiry date of agreement (by the end of 2019).

### IX Events occurring after the Balance Sheet Date

By the reporting date, the company has no non-adjusting events occurring after the balance sheet date that need to be disclosed.

### X. Other Key Events

#### 1. Assets and Liabilities calculated at the fair values

Unit: RMB 1000 Yuan

Item	Amount at the beginning of period	Profit and loss in the changes of fair values in this period	Accumulated changes of fair values that are accrued to the equities	Withdrawn depreciation in this period	Amount at the end of period

Financial assets					
1. Financial assets that are calculated in the fair values and whose changes are accrued to the current profit and loss (not including the derivative financial assets)	59,319.62	-1,242.33	0.00	0.00	11,477.81
2. Derivative financial assets	0.00	0.00	0.00	0.00	0.00
3. Saleable financial assets	10,612.86	0.00	-785.20	0.00	9,827.66
Subtotal of financial assets	69,932.48	-1,242.33	-785.20	0.00	21,305.47
Real estate for investment	0.00	0.00	0.00	0.00	0.00
Production biology asset	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>69,932.48</b>	<b>-1,242.33</b>	<b>-785.20</b>	<b>0.00</b>	<b>21,305.47</b>
Financial liabilities	0.00	0.00	0.00	0.00	0.00

2. Foreign currency financial assets and foreign currency financial liabilities

Unit: RMB 1000 Yuan

Item	Amount at the beginning of period	Profit and loss in the changes of fair values in this period	Accumulated changes of fair values that are accrued to the equities	Withdrawn depreciation in this period	Amount at the end of period
Financial assets					
1. Financial assets that are calculated in the fair values and whose changes are accrued to the current profit and loss (not including the derivative financial assets)	58,780.09	-1,220.09	0.00	0.00	10,960.53
2. Derivative financial assets	0.00	0.00	0.00	0.00	0.00
3. Loans and accounts receivable	64,130.63	0.00	0.00	449.27	83,751.32
4. Saleable financial assets	0.00	0.00	0.00	0.00	0.00
5. Investments that are held to the	0.00	0.00	0.00	0.00	0.00



maturity dates

Subtotal of financial assets	122,910.72	-1,220.09	0.00	449.27	94,711.85
Financial liabilities	248,730.85	0.00	0.00	0.00	256,368.81

## XI. Notes to Main Items of Financial Statements of Parent Company

### 1. Accounts receivable

a).....List of accounts receivable as per the type

Item	2013/6/30				2012/12/31					
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts			
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage		
Accounts receivable whose individual amount is large and whose individual bad debt reserve is withdrawn	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Accounts receivable whose bad debt reserve is withdrawn based on the combination	466,730,257.32	100.00%	25,321,122.9	6	5.43%	377,303,477.50	100.00%	20,359,295.3	3	5.40%
Accounts receivable whose individual amount is not large but whose individual bad debt reserve is withdrawn	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Total</b>	<b>466,730,257.32</b>	<b>100.00%</b>	<b>25,321,122.9</b>	<b>6</b>	<b>5.43%</b>	<b>377,303,477.50</b>	<b>100.00%</b>	<b>20,359,295.3</b>	<b>3</b>	<b>5.40%</b>

#### Remarks about the classification of accounts receivable

①Accounts receivable whose individual amount is large and whose individual bad debt reserve is withdrawn at the end of period

Applicable  Inapplicable

②In the combination, accounts receivable whose reserves for bad debts are withdrawn by the age analysis method

Applicable  Inapplicable

Age	2013/6/30				2012/12/31			
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	Book balance		Reserve for bad debts	Book balance		Reserve for bad debts
	Amount	Percentage		Amount	Percentage	
Within 1 year	454,973,532.56	97.48%	22,748,676.63	370,544,400.26	98.21%	18,527,220.02
1-2 years	7,647,786.18	1.64%	458,867.17	4,525,851.18	1.20%	271,551.08
2-3 years	2,116,389.33	0.45%	423,277.87	536,357.54	0.14%	107,271.51
Over 3 years	1,992,549.25	0.43%	1,690,301.29	1,696,868.52	0.45%	1,453,252.72
<b>Total</b>	<b>466,730,257.32</b>	<b>100.00%</b>	<b>25,321,122.96</b>	<b>377,303,477.50</b>	<b>100.00%</b>	<b>20,359,295.33</b>

③In the combination, accounts receivable whose reserves for bad debts are withdrawn by the balance percentage method

Applicable  Inapplicable

④In the combination, accounts receivable whose reserves for bad debts are withdrawn by the other methods

Applicable  Inapplicable

⑤Accounts receivable whose individual amount is not large but whose individual bad debt reserve is withdrawn

Applicable  Inapplicable

b).....Accounts receivable that are reversed or received in this period: none.

c).....Accounts receivable that are actually written off in this period

d).....In the accounts receivable, debts with the shareholder units holding over 5% (including 5%) voting rights

By June 30, 2013, there are no debts with the shareholder units holding over 5% (including 5%) voting rights.

e).....By June 30, 2013, the top 5 accounts receivable are listed as follows:

Debtor name	Relationship		Debt amount	Nature or content	Debt period	Percentage in Total Amount
	with the company					
Guangdong Meikang Daguang Wante Pharmaceutical Co., Ltd	Non-associate		14,915,664.00	Payments for goods	Within 1 year	3.20%
Harbin Pharm. Group Pharmaceutical Co., Ltd	Non-associate		12,839,088.00	Payments for goods	Within 1 year	2.75%

				Payme	Within 1 year: RMB	
Shandong	Hongjitang	Non-associate	10,485,691.7	nts for	10,463,586.16 Yuan;	2.25%
Pharmaceutical Group Co., Ltd		d party	0	goods	1-2 years: RMB	
					22,105.54 Yuan	
Shanghai Sifu Medicine Co., Ltd		Non-associate	9,330,768.00	nts for	Within 1 year	2.00%
		d party		goods		
Chongqing Pharmaceutical Xinte		Non-associate	9,319,309.89	nts for	Within 1 year	2.00%
Medicine Co., Ltd		d party		goods		
Total			56,890,521.5			12.19%
			9			

f).....By June 30, 2013, the accounts receivable from associated parties: none.

g).....Accounts receivable that have been confirmed: none.

h).....Assets and liability amounts that are securitized with the accounts receivable as subjects and continue to exist: none.

## 2. Other accounts receivable

(1) List of other accounts receivable as per the type

Item	2013/6/30				2012/12/31			
	Book balance		Reserve for bad debts		Book balance		Reserve for bad debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Accounts receivable whose individual amount is large and whose individual bad debt reserve is withdrawn	1,025,602,462.14	98.49%	0.00	0.00%	660,749,892.24	97.93%	0.00	0.00%
Accounts receivable whose bad debt reserve is withdrawn based on the combination	15,690,071.93	1.51%	2,152,305.85	13.72%	13,993,483.90	2.07%	1,868,360.55	13.35%
Accounts receivable whose individual amount is not large but	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%

whose individual bad debt reserve

is withdrawn

Total	1,041,292,534.07	100.00%	2,152,305.85	0.21%	674,743,376.14	100.00%	1,868,360.55	0.28%
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Remarks about the classification of other accounts receivable

① Other accounts receivable whose individual amount is large and whose individual bad debt reserve is withdrawn at the end of period

Applicable Inapplicable

Name of other accounts receivable	Book balance	Reserve for bad debts	Withdrawal percentage	Reason for withdrawal
fund transfer	1,025,602,462.14	0.00	0.00%	The debtor is the subcompany controlled by the company and there are no risks in receiving the debts.

② In the combination, other accounts receivable whose reserves for bad debts are withdrawn by the age analysis method

Applicable Inapplicable

Age	2013/6/30			2012/12/31		
	Book balance		Reserve for bad debts	Book balance		Reserve for bad debts
	Amount	Percentage		Amount	Percentage	
Within 1 year	8,071,993.90	51.45%	403,599.69	6,220,199.01	44.45%	311,009.95
1-2 years	1,201,066.71	7.65%	72,064.01	1,657,323.91	11.84%	99,439.43
2-3 years	5,699,654.74	36.33%	1,139,930.95	5,691,933.94	40.68%	1,138,386.79
Over 3 years	717,356.58	4.57%	536,711.20	424,027.04	3.03%	319,524.38
Total	15,690,071.93	100.00%	2,152,305.85	13,993,483.90	100.00%	1,868,360.55

③ In the combination, other accounts receivable whose reserves for bad debts are withdrawn by the balance percentage method

Applicable Inapplicable

④ In the combination, other accounts receivable whose reserves for bad debts are withdrawn by the other methods

Applicable Inapplicable

⑤ Other accounts receivable whose individual amount is not large but whose individual bad debt reserve is withdrawn

□ Applicable √ Inapplicable

(2) Other accounts receivable that are reversed or received in this period: none.

(3) Accounts receivable that are actually written off in this period: none.

(4) In the other accounts receivable, debts with the shareholder units holding over 5% (including 5%) voting rights  
By June 30, 2013, there are no debts with the shareholder units holding over 5% (including 5%) voting rights.

(5) By June 30, 2013, the top 5 other accounts receivable are listed as follows:

Debtor name	Relationship with the company	Debt amount	Nature or content	Debt period	Percentage in Total Amount
Ningxia Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	Subcompany	271,656,898.7	Fund transfer	Within 1 year	26.09%
Ningxia Fuxing Pharmaceutical Co., Ltd under Livzon Group	Subcompany	229,406,754.4	Fund transfer	Within 1 year	22.03%
Livzon Pharmaceutical Factory under Livzon Group	Subcompany	163,812,508.2	Fund transfer	Within 1 year	15.73%
Antao Development Limited	Subcompany	123,857,335.9	Fund transfer	Within 1 year	11.89%
Livzon Syntpharm Co., Ltd in Zhuhai Bonded Area	Subcompany	123,585,976.8	Fund transfer	Within 1 year	11.87%
Total		912,319,474.1	8		87.61%

(6) By June 30, 2013, the other accounts receivable from associated parties are listed as follows:

Debtor name	Relationship with the company	Amount	Percentage in Total Amount
Ningxia Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	Subcompany	271,656,898.75	26.09%
Ningxia Fuxing Pharmaceutical Co., Ltd under Livzon Group	Subcompany	229,406,754.47	22.03%
Livzon Pharmaceutical Factory under Livzon Group	Subcompany	163,812,508.23	15.73%
Antao Development Limited	Subcompany	123,857,335.92	11.89%

Livzon Syntpharm Co., Ltd in Zhuhai Bonded Area	Subcompany					123,585,976.81	11.87%
Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	Subcompany					46,869,822.10	4.50%
Fuzhou Fuxing Pharmaceutical Co., Ltd under Livzon Group	Subcompany					28,771,377.51	2.76%
Wenshan Livzon Panax Notoginseng Plantation Co., Ltd	Subcompany					23,000,000.00	2.21%
Livzon (Hongkong) Co., Ltd	Subcompany					13,320,277.77	1.28%
Jiaozuo Livzon Syntpharm Co., Ltd	Subcompany					1,321,510.58	0.13%
Total						1,025,602,462.14	98.49%

(7) Other accounts receivable that have been confirmed: none.

(8) Assets and liability amounts that are securitized with the other accounts receivable as subjects and continue to exist: none.

### 3. Long-term equity investment

#### (1) Particulars about long-term equity investment

Invested unit	Calculation method	Investment cost	2012/12/31	Increase or decrease	2013/6/30	Shareholding percentage in the invested unit	Percentage of voting rights in the invested units(%)	Remarks about the difference between the share-holding percentage and voting rights in invested units	Depreciation reserve	Withdrawal of depreciation reserve in this period	Cash bonus in this period
Guangdong Development Co.Ltd	Bank cost method	177,348.84	177,348.84	0.00	177,348.84	0.0004%	0.0004%		0.00	0.00	0.00
Beijing Medical Goods Joint	Operation cost method	100,000.00	100,000.00	0.00	100,000.00	0.821%	0.821%		100,000.00	0.00	0.00

Company											
Doumen	Sanzhou	cost									
			500,000.00	500,000.00	0.00	500,000.00	1.6%	1.6%	500,000.00	0.00	0.00
Industry City Co., Ltd		method									
China	Resources										
		cost							20,000,000.0		
Bank of Zhuhai Co., Ltd		method	95,325,760.00	95,325,760.00	0.00	95,325,760.00	1.5065%	1.5065%	0	0.00	0.00
Ruiheng											
Pharmaceutical		cost									
Technology		method	6,250,000.00	6,250,000.00	0.00	6,250,000.00	5.681%	5.681%	0.00	0.00	343,750.00
Investment Co., Ltd											
Zhuhai Livzon – Bai A											
Meng	Biological	cost									
		method	3,934,721.95	3,934,721.95	0.00	3,934,721.95	82%	82%	0.00	0.00	0.00
Materials Co., Ltd											
Zhuhai	Livzon										
Meidaxin	Technology	cost									
		method	800,000.00	800,000.00	0.00	800,000.00	100%	100%	0.00	0.00	0.00
Development Co., Ltd											
Livzon Pharmaceutical											
Factory under Livzon		cost									
		method	353,169,752.98	353,169,752.98	0.00	353,169,752.98	74.99%	74.99%	0.00	0.00	0.00
Group											
Sichuan	Guangda										
Pharmaceutical Co., Ltd		cost									
		method	170,872,457.35	170,872,457.35	0.00	170,872,457.35	57.41%	57.41%	0.00	0.00	0.00
Shanghai	Livzon										
Pharmaceutical Co., Ltd		cost									
		method	53,261,896.11	53,261,896.11	0.00	53,261,896.11	60.99%	60.99%	0.00	0.00	0.00
Zhuhai	Modern										
Chinese	Medicine	cost									
		method	4,539,975.00	4,539,975.00	0.00	4,539,975.00	75%	75%	0.00	0.00	0.00
Hi-tech Co., Ltd											
Livzon Medicine Institute											
under Livzon Group		cost									
		method	6,004,000.00	6,004,000.00	0.00	6,004,000.00	60.04%	60.04%	0.00	0.00	0.00
Livzon (Hongkong)											
Co., Ltd		cost									
		method	64,770,100.00	64,770,100.01	0.00	64,770,100.01	100%	100%	0.00	0.00	0.00

Hongkong Development Limited	Antao	cost method	534,050.00	534,050.00	0.00	534,050.00	100%	100%	0.00	0.00	0.00
Xinbeijiang											
Pharmaceutical Ltd	Co., Ltd	cost method	116,446,982.80	116,446,982.80	0.00	116,446,982.80	92.14%	92.14%	7,271,307.03	0.00	0.00
Group											
Zhuhai Reagent Co., Ltd	Livzon	cost method	2,021,378.68	2,896,800.00	0.00	2,896,800.00	51%	51%	0.00	0.00	0.00
Livzon Medicine Marketing Co., Ltd under Livzon Group											
Limin Pharmaceutical Co., Ltd	under Livzon	cost method	184,301,219.52	184,301,219.52	0.00	184,301,219.52	65.10%	65.10%	0.00	0.00	0.00
Group											
Zhuhai Medicine Trade Co., Ltd	Livzon	cost method	40,020,000.00	40,020,000.00	0.00	40,020,000.00	66.70%	66.70%	0.00	0.00	0.00
Fuzhou Pharmaceutical Co., Ltd under Livzon Group											
Pharmaceutical Ltd	Co., Ltd	cost method	190,075,938.00	280,769,410.50	0.00	280,769,410.50	75%	75%	11,200,000.00	0.00	0.00
Group											
Zhuhai Dankang Biotechnology Co., Ltd	Livzon	cost method	102,000,000.00	51,000,000.00	51,000,000.00	102,000,000.00	51%	51%	0.00	0.00	0.00
Livzon Group Vaccine Engineering Co., Ltd											
Pharmaceutical Ltd	Co., Ltd	cost method	54,500,000.00	54,500,000.00	0.00	54,500,000.00	83.85%	83.85%	0.00	0.00	0.00
Ningxia Pharmaceutical Co., Ltd under Livzon Group											
Pharmaceutical Ltd	Co., Ltd	cost method	90,000,000.00	90,000,000.00	0.00	90,000,000.00	90%	90%	0.00	0.00	0.00
Group											
Pharmaceutical Co., Ltd	Xinbeijiang	cost method	90,000,000.00	90,000,000.00	0.00	90,000,000.00	90%	90%	0.00	0.00	0.00



Ltd under Livzon										
Group										
Wenshan Livzon										
Panax Notoginseng	cost	4,694,000.00	4,694,000.00	0.00	4,694,000.00	51%	51%	0.00	0.00	0.00
Plantation Co., Ltd	method									
Livzon Medical										
Electronic Equipment	Equity	1,200,000.00	1,200,000.00	0.00	1,200,000.00	28%	28%	1,200,000.00	0.00	0.00
(Factory) Co., Ltd	method									
Guangdong Blue										
Treasure	Equity	2,462,407.50	7,547,732.38	419,575.62	7,967,308.00	8.5%	8.5%	0.00	0.00	0.00
Pharmaceutical Co. Ltd.	method									
Tongyikangshimei										
Chain (Shenzhen)	Equity	35,000,000.00	4,743,298.84	-179,239.29	4,564,059.55	35%	35%	0.00	0.00	0.00
Co., Ltd	method									
Total		1,684,969,988.73	1,700,367,506.28	51,240,336.33	1,751,607,842.61			40,271,307.0	0.00	343,750.00
								3		

(2) Depreciation Reserve for long-term equity investment

Investment Projects	2012/12/31	Withdrawal in this period	Transfer-out in this period	2013/6/30	Reason for Withdrawal
Doumen Sanzhou Industry City Co., Ltd	500,000.00	0.00	0.00	500,000.00	The net assets are less than zero.
China Resources Bank of Zhuhai Co., Ltd	20,000,000.0	0	0.00	20,000,000.00	Loss
Livzon Medical Electronic Equipment (Factory) Co., Ltd	1,200,000.00	0.00	0.00	1,200,000.00	The net assets are less than zero.
Fuzhou Fuxing Pharmaceutical Co., Ltd under Livzon Group	11,200,000.00	0.00	0.00	11,200,000.00	The depreciations have occurred.

					The business license has been cancelled by the local administration of industry and commerce.
Beijing Medical Goods Joint Operation Company	100,000.00	0.00	0.00	100,000.00	
Xinbeijiang Pharmaceutical Co., Ltd under Livzon Group	7,271,307.03	0.00	0.00	7,271,307.03	Operation loss
	40,271,307.0				
<b>Total</b>	<b>3</b>	<b>0.00</b>	<b>0.00</b>	<b>40,271,307.03</b>	

(3) Remarks about restriction in transferring the capitals to invested enterprises: none.

#### 4. Operating Income and Operating Cost

##### (1) Operating Income and Operating Cost

Item	January to June 2013	January to June 2012
Main Business income	1,010,391,794.58	857,818,013.06
Other Business income	1,172,877.27	1,139,790.64
Total of operating incomes	1,011,564,671.85	858,957,803.70
Main Business cost	415,982,757.28	409,034,502.19
Other Business cost	58,560.41	65,431.16
Total of operating costs	416,041,317.69	409,099,933.35

##### (2) Main business (as per the product)

Item	January to June 2013		January to June 2012	
	Main Business income	Main Business cost	Main Business income	Main Business cost
Western medicine preparation	404,009,429.39	230,496,992.19	352,780,137.63	250,105,034.57
Including: Digestive tract	148,571,457.48	91,831,780.61	133,070,331.12	101,057,194.04
Cardiac and cerebral blood vessel	39,848,839.12	22,212,604.78	38,423,161.84	27,900,020.98

Antimicrobial drugs(including the imported drugs)	114,598,454.40	79,570,856.33	123,319,040.94	91,176,844.72
Gonadotropic hormone	1,304,516.26	1,024,558.72	943,247.60	734,006.83
Others	99,686,162.13	35,857,191.75	57,024,356.13	29,236,968.00
Chinese traditional drug preparation	606,382,365.19	185,485,765.09	505,037,875.43	158,929,467.62
<b>Total</b>	<b>1,010,391,794.58</b>	<b>415,982,757.28</b>	<b>857,818,013.06</b>	<b>409,034,502.19</b>

(3) Main business (as per the region)

Item	January to June 2013		January to June 2012	
	Main Business income	Main Business cost	Main Business income	Main Business cost
Domestic	1,007,800,535.50	414,423,908.95	856,303,757.89	408,115,241.73
Overseas	2,591,259.08	1,558,848.33	1,514,255.17	919,260.46
<b>Total</b>	<b>1,010,391,794.58</b>	<b>415,982,757.28</b>	<b>857,818,013.06</b>	<b>409,034,502.19</b>

(4) Particulars about operating incomes from top 5 clients

Client name	January to June 2013		January to June 2012	
	Sales amount	Percentage in the total sales amount	Sales amount	Percentage in the total sales amount
Total of top 5 clients	125,220,929.00	12.38%	108,717,417.33	12.66%

**5. Business Tax and Surtax**

Item	Tax rate	January to June 2013	January to June 2012
City construction tax	7%	6,816,473.76	6,105,518.33
Education surtax	5%	4,868,909.82	2,578,914.64
Embankment protection cost	0.07%	303,160.71	599,412.63
<b>Total</b>		<b>11,988,544.29</b>	<b>9,283,845.60</b>

**6. Investment returns**

(1) Particulars about investment returns

Item	January to June 2013	January to June 2012
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Long-term equity investment calculated by cost method	343,750.00	52,115,596.80
Long-term equity investment calculated by equity method	240,336.33	-775,324.31
Investment returns obtained by the disposal of long-term equity investments	0.00	0.00
Investment returns obtained by the holding of tradable financial assets	0.00	0.00
Investment returns obtained during the returns period of investments held to the maturity date	0.00	0.00
Investment returns obtained by the holding of saleable financial assets	0.00	151,818.90
Investment returns obtained by the disposal of tradable financial assets	0.00	0.00
Investment returns obtained from the investments held to the maturity date	0.00	0.00
Investment returns obtained from the saleable financial assets	0.00	0.00
Others	0.00	0.00
Total	584,086.33	51,492,091.39

(2) Long-term equity investment returns calculated by cost method

Invested unit	January to June 2013	January to June 2012	Reason for the changes compared with previous period
Ruiheng Pharmaceutical Technology Investment Co., Ltd	343,750.00	0.00	Bonus from invested unit
Limin Pharmaceutical Co., Ltd under Livzon Group	0.00	41,915,596.80	Bonus from subcompanies
Zhuhai Livzon Reagent Co., Ltd	0.00	10,200,000.00	Bonus from subcompanies
Total	343,750.00	52,115,596.80	

(3) Long-term equity investment returns calculated by equity method

Invested unit		January to June 2013	January to June 2012	Reason for the changes compared with previous period
Guangdong	Blue Treasure			Returns changes of
	Pharmaceutical Co. Ltd.	419,575.62	262,073.77	invested unit
	Tongyikangshimei Chain (Shenzhen)			Returns changes of
	Co., Ltd	-179,239.29	-1,037,398.08	invested unit
Total		240,336.33	-775,324.31	

Remarks about investment returns: if the remittance of investment returns has the key restrictions, please specify it. If there are no such key restrictions, please also specify it: none.

### 7. Supplementary Data of Cash Flow Statement of Parent Company

Item	January to June 2013	January to June 2012
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	62,093,211.50	70,599,090.54
Plus: Reserve for asset depreciation	2,586,122.93	9,612,273.16
Fixed asset depreciation, consumption of oil and gas assets and production biology asset depreciation	7,594,617.04	6,137,147.07
Amortization of intangible assets	4,250,714.47	4,927,098.94
Amortization of long-term amortization expense and long-term assets	0.00	0.00
Loss in disposal of fixed assets, intangible assets and other long-term assets (the profits will be listed beginning with "-")	-281,669.95	-14,052.50
Loss in the rejection of fixed assets (the profits will be listed beginning with "-")	935.00	0.00
Loss in the changes of fair values (the profits will be listed beginning with "-")	0.00	0.00
Financial expense (the profits will be listed beginning with "-")	14,654,248.47	9,785,520.15
Investment loss (the profits will be listed beginning with "-")	-584,086.33	-51,492,091.39
Decrease of deferred income tax assets (the increase will be listed beginning with "-")	-25,125.76	-1,387,143.91
Increase of deferred income tax liabilities (the decrease will be listed	0.00	0.00

Item	January to June 2013	January to June 2012
beginning with "-")		
Decrease of inventory (the increase will be listed beginning with "-")	10,391,613.26	8,453,151.97
Decrease of receivable operating items (the increase will be listed beginning with "-")	-143,800,976.06	-69,154,890.93
Increase of payable operating items (the decrease will be listed beginning with "-")	39,181,314.58	-77,803,217.12
Others	0.00	0.00
Net amount of cash flow from the operating activities	-3,939,080.85	-90,337,114.02
2.Key investment and financing activities not involving the cash income and payment		
Transfer from liabilities to share capital	0.00	0.00
Convertible company bonds due within one year	0.00	0.00
Financing leasing of fixed assets	0.00	0.00
3.Change of cash and cash equivalents:		
Cash balance at the end of period	1,237,451,812.51	797,819,129.62
Minus: cash balance at the beginning of period	1,099,218,893.89	1,306,877,982.24
Plus: cash equivalent balance at the end of period	0.00	0.00
Minus: cash equivalent balance at the beginning of period	0.00	0.00
Net increase of cash and cash equivalent	138,232,918.62	-509,058,852.62

## XII. Supplementary Data

### (I). Non-Recurring Profit and Loss

In accordance the *No. 1 Explanatory Announcement about Information Disclosure of Companies Making Public Offering of Securities – Non-recurring Profit and Loss(2008)* (Zheng Jian Hui Gong Gao (2008) No. 43) issued on October 31, 2008, the non-recurring profit and loss items of the company are listed as follows:

Item	January to June 2013	January to June 2012
Profit and loss in disposal of non-current assets, including the written-off part of already withdrawn depreciation reserves	325,316.11	14,164.54
Tax rebate and exemption due to the approval without the appropriate	0.00	0.00

authority or the formal approval documents, or the accidental tax rebate and exemption

Governmental allowance accrued to the current profit and loss, except those that are closely related to the normal operation businesses of company, comply with the national policies, and are continuously granted based on the certain standard quota or certain quantity

12,883,755.38 11,882,340.48

Capital occupancy expense from the non-financial enterprises that is accrued to the current profit and loss

0.00 0.00

The investment costs of enterprises to obtain the subcompanies, associated enterprises and joint enterprises are less than the returns from the fair values of identifiable net assets of invested units that should be available at the time of investment

0.00 0.00

Profit and loss of non-currency assets exchange

0.00 0.00

Profit and loss of investment or management of entrusted assets

0.00 0.00

The various withdrawn reserves for assets depreciation due to the force majeure such as the natural calamities

0.00 0.00

Profit and loss of liabilities restructuring

0.00 0.00

Enterprise restructuring expenses, such as the payments for staffing and integration expense, etc.

0.00 0.00

Profit and loss from the amount exceeding the fair values in the transactions in which the transaction prices are obviously unfair.

0.00 0.00

The current profit and loss from the establishment date to the merger date of subcompanies that are established by the merger of enterprises under the same control

0.00 0.00

The profit and loss caused by the contingent events that are not related to the normal operation business of the company

0.00 0.00

Except the effective hedge business related to the normal operation business of the company, the profit and loss in the changes of fair values caused by the holding of tradable financial assets and tradable financial liabilities as well as the investment returns in disposal of tradable financial assets, tradable financial liabilities and saleable financial assets

135,791.51 3,704,038.57

Reversion of depreciation reserves for accounts receivable whose

0.00 0.00

depreciation testing have been individually made.

Profit and loss from the externally entrusted loans	0.00	0.00
Profit and loss caused by the changes of fair values of invested real estates in the subsequent calculation by utilizing fair value mode	0.00	0.00
Effect of the one-time adjustment of the current profit and loss in accordance with the requirements of laws and regulations concerning the taxes and accounting, etc. on the current profit and loss	0.00	0.00
Custody income due to the entrusted custody	0.00	0.00
Other net non-operating income and payment except the above items	367,300.32	439,193.38
Other profit and loss items that comply with the definition for non-operating profit and loss	0.00	0.00
Subtotal	13,712,163.32	16,039,736.97
Minus: effect of income tax	2,189,657.60	2,610,225.29
Effect of the minority of shareholders' equities	593,262.42	2,405,339.64
Total	10,929,243.30	11,024,172.04

**(II) Yield Rate of Net Assets and Profit Per Share**

Profit in the report period	Weighted average yield rate of net asset	Profit per share (Yuan/share)	
		Basic profit per share	Profit per share after dilution
Net profit attributable to the ordinary shareholders	8.27%	0.88	0.88
Net profit attributable to the ordinary shareholders after deduction of non-recurring profit and loss	7.92%	0.84	0.84

**(III) Remars about abnormality and reason of main accounting statement items of company**

Statement items	Balance on June 30, 2013 or amount from January to June 2013	Balance on June 30, 2012 or amount from January to June 2012	Change ratio	Reasons for changes
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Items in balance sheet:

Tradable financial assets	11,477,809.46	59,319,616.94	-80.65%	The main reason is the sales of some stocks in this period.
	157,099,114.13	112,482,782.18	39.67%	The main reason is the increase of payments for goods in the settlement mode of bank acceptance drafts in this period.
Notes receivable				The main reason is the increase of investments in the equipment of Ningxia Base Project, "relocation project of new factory" and Limin Pharmaceutical Co., Ltd under Livzon Group.
Engineering under construction	1,581,479,104.43	1,028,769,050.48	53.73%	The main reason is that the development expenses that comply with the capitalization conditions are transferred to the intangible assets, and the development expenses that do not comply with the capitalization conditions are accrued to the profit and loss.
Development payments	212,866.16	1,510,153.51	-85.90%	The main reason is that, with the increase of purchase, the income amount of deductible VAT increases, which leads to the decrease of payable VAT.
Payable taxes	57,240,471.42	96,658,310.36	-40.78%	The main reason is that the short-term financing bonds are due and paid on July 9, 2013.
Interests payable	20,780,088.52	10,454,004.86	98.78%	In the 2012 annual Shareholders' Meeting held on June 21, 2013, the company examined and passed the 2012 Profit Distribution Plan: the
Dividends payable	150,392,910.46	2,531,984.46	5,839.72%	

				Company distributed a total bonus of RMB 147,860,926.00 Yuan.
Long-term loans	150,700,000.00	700,000.00	21,428.57%	The main reason is the increase of long-term financing to meet the capital demands of engineering construction and technical improvement, etc.
Bonds payable	400,000,000.00	0.00		On May 29, 2013, the company issued RMB 400 million Yuan of medium-term bills.
Equities of the minority of shareholders	231,463,527.41	172,103,440.01	34.49%	The main reason is the increase of capitals invested by the minority of shareholders.
Items in Profit Statement and Cash Flow Statement:				
returns from the changes of fair values	-1,242,332.26	2,114,503.89	-158.75%	The main reason is the sales of some stocks in this period as well as the decrease of market value of stocks at the end of period.
Investment returns	3,086,974.76	1,731,468.57	78.29%	The main reason is the improvement of performances of associated enterprises and the increase of investment returns calculated in the equity method.
non-operating payments	1,462,423.58	224,395.39	551.72%	The main reason is the increase of donation payment in this period.
Net cash flow from operating activities	185,831,023.54	335,416,385.94	-44.60%	The main reason is the increase of purchase payments in this period; with the increase of operation performance, the salary levels of staffs increase, and the salaries paid to the staffs also increase.

<p>Net cash flow from financing activities</p>	<p>547,516,524.88</p>	<p>-470,114,776.18</p>	<p>216.46%</p>	<p>The main reason is the issuing of RMB 400 million Yuan of medium-term bills, as well as the borrowing of capitals from the financial institutions (after deduction of repayments) and increase of capitals invested by the minority of shareholders.</p>
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### XIII. Approval of Financial Statement

This financial statement is passed and issued by the Board of Directors on August 26, 2012.

Company name: Livzon Pharmaceutical Group Inc.

Principal of the Company: Zhu Baoguo  
 Principal of the Financial Department: An Ning  
 Principal of the Accounting Department: Si Yanxia

## **Section IX: Catalog of Files for Reference**

- 1 The 2013 semi-annual report with the signature of chairman.
- 2 The original financial reports with signature of legal representative, principal of Financial Department and principal of Accounting Department.
3. All original files and announcement manuscript that have been published in Securities Times, China Securities Journal and Hongkong Wenhui Daily (English version) and Juchao website during the report period.