

The 2012 Third Quarterly Report of Livzon Pharmaceutical Group Inc.

I. Important notice

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 attended the shareholders' meeting that examined this report.

Mr. Zhu Baoguo, principal 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 Report in this quarterly report.

II. Brief introduction of the Company

(II) Financial highlights

	2012.9.30	2011.12.31	Increase or decrease (%)	
Total assets (RMB Yuan)	5,463,602,547.19	4,602,908,981.74	18.70%	
Owners' equity attributable to the shareholders of listed company (RMB Yuan)	2,917,553,597.53	2,843,169,706.20	2.62%	
Share capital (Share)	295,721,852.00	295,721,852.00	0%	
Net asset per share attributable to the shareholders of listed company (RMB Yuan/share)	9.87	9.61	2.71%	
	July to September 2012	Increase or decrease compared with the same period of previous year (%)	January to September 2012	Increase or decrease compared with the same period of previous year (%)
Total operating income(RMB Yuan)	1,024,017,114.12	29.23%	2,909,014,289.56	28.50%
Net profit attributable to shareholders of listed company(RMB Yuan)	114,925,845.48	91.57%	343,630,861.87	22.35%
Net cash flows from operating activities (RMB Yuan)	--	--	529,219,276.51	29.70%
Net cash flows per share from operating activities (RMB Yuan/share)	--	--	1.79	29.71%
Basic profit per share (RMB Yuan/share)	0.39	95%	1.16	22.11%
Diluted profit per share (RMB Yuan/share)	0.39	95%	1.16	22.11%
Weighed yield rate of net asset (%)	3.93%	Up 1.66 percentage points	11.93%	Up 1.29 percentage points
Weighed yield rate of net assets after deduction of non-recurring profit and loss (%)	3.80%	Up 1.05 percentage points	11.41%	Up 1.01 percentage points

The items of non-recurring profit and loss (January to September 2012)

Items of non-recurring profit and loss	Amount from the year beginning to end of report period	Note
Profit and loss in disposal of non-circulation assets	-2,619,231.64	
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)	15,039,354.11	
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	6,392,098.36	
Other net non-operating income and payment except the above items	529,231.20	
Other profit and loss items that comply with the non-recurring profit and loss definition	0.	
Subtotal	19,341,452.03	
Minus: effect of equities attributable to the minority of shareholders	3,554,087.31	
Minus: effect of income tax	761125.26	
Total	15,026,239.46	--

(II) Table about total quantity of all shareholders and shareholding particulars of top ten shareholders at the end of report period

Total quantity of shareholders at the end of report period	The shareholder quantity amounted to 23,004 (including 8,296 B-share holders)		
Shares held by top ten shareholders without trading restriction			
Shareholder name	Quantity of shares without trading restriction at the end of report period	Share type and quantity	
		Type	Quantity
Joincare Pharmaceutical Industry Co., Ltd	77,510,167	RMB Common share	77,510,167
Tiancheng Industry Co., Ltd	50,660,052	Domestically-listed shares for overseas investors	50,660,052
GAOLING FUND,L.P.	10,258,112	Domestically-listed shares for overseas investors	10,258,112
First Shanghai Securities Co., Ltd	10,219,770	Domestically-listed shares for overseas investors	10,219,770
Agricultural Bank of China – LOF	6,968,803	RMB Common share	6,968,803
Shenzhen Haibin Pharmaceutical Co., Ltd	5,892,943	RMB Common share	5,892,943
Agricultural Bank of China –Greatwall Anxin Huibao Mixed Securities Investment Fund	5,700,000	RMB Common share	5,700,000
Industrial and Commercial Bank of China – Jiashi Strategic Growth Mixed-t	4,783,021	RMB Common share	4,783,021

ype Securities Investment Fund			
Bank of Communications – Greatwall Jiufu Core Growth Stock-type Securities Investment Fund (LOF)	4,725,389	RMB Common share	4,725,389
Agricultural Bank of China - Invesco Great Wall Internal Demand Growth II Stock-type Securities Investment Fund	4,422,792	RMB Common share	4,422,792

III. Major events

(I) Great changes and reasons of main financial statement items and financial indexes of the Company

√ Applicable □ Inapplicable

1. Items in the Balance Sheet

Items in the Balance Sheet	2012.9.30	2011.12.31	Change rate	Reason
Accounts receivable	742,315,684.79	562,146,013.18	32.05%	The main reason is the increase of sales incomes.
Other accounts receivable	59,213,582.77	44,488,052.86	33.10%	The main reason is the increase of advance money in the sales business.
Engineering under construction	841,353,722.78	148,841,628.16	465.27%	The main reason is the increase of expenses in the new factory construction and technical improvement.
Engineering goods	3,543,796.60	2,536,926.00	39.69%	The main reason is that the technical improvement equipment purchased by Limin Pharmaceutical Factory has not been installed for the time being.
Accounts payable	310,282,503.70	207,941,294.31	49.22%	The main reasons include:1) the increase of raw materials purchased by all production enterprises;2) the increase of unsettled engineering projects in the headquarters.
Capital reserve	227,795,132.23	348,093,136.41	-34.56%	The main reason is that the difference between the equities of the minority of shareholders in Limin Pharmaceutical Factory and net asset shares offset the capital reserve.
Interests payable	5,538,181.90	16,841,492.68	-67.12%	The main reason is the interests of short-term financing bonds of RMB 400 million Yuan that has been due.

2. The items in the Profit Statement from the year beginning to the end of report period

Items in the Profit Statement	January to September 2012	January to September 2011	Change rate	Reason
Operating tax and surtax	40,442,078.86	28,300,021.22	42.90%	The main reason is the increase of city construction tax and education surtax that are withdrawn due to the increase of sales incomes.
Sales expense	1,062,612,062.72	658,489,170.63	61.37%	The main reason is the increase of relevant business investments due to the increase of sales incomes.
Asset depreciation loss	18,031,136.93	10,790,557.01	67.10%	The main reason is the increase of bad debt loss and depreciation loss of inventory.
Profits from the changes of fair values	4,800,246.93	-15,329,948.18	131.31%	The main reason is the increase of changes of fair values of tradable financial assets held by the company.
Investment returns	1,668,506.76	1,142,974.78	45.98%	The main reason is the increase of investment returns from associated enterprises.

Non-operating incomes	15,945,423.03	27,503,971.07	-42.03%	The main reason is the decrease of governmental allowance that is accrued to the profit and loss in this period.
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3. Items in the Cash Flow Statement

Items in the Cash Flow Statement	January to September 2012	January to September 2011	Change rate	Reason
Cash received from sales of goods or rendering of services	2,979,324,386.94	2,229,443,047.45	33.64%	The reason is the expansion of sales business and increase of sales incomes.
Tax refunding	15,341,233.91	6,213,246.47	146.91%	The main reason is that the company has increased the export rebate amount due to the increase of product export in Xinbeiji Company.
Other cash received related to operating activities	193,038,701.95	83,981,322.58	129.86%	The reason is the increase of governmental financial allowance received by the group as well as the research expense about Shenqi and technical improvement engineering deposit received by Limin Pharmaceutical Factory.
Other cash paid to operating activities	1,251,391,775.83	644,907,743.38	94.04%	The reason is the increase of payments due to the expansion of sales business.
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	669,948,180.40	209,089,094.21	220.41%	The main reason is the increase of cashes paid for Ningxia Industrial Park project.
Cash received from investors	-	11,270,000.00	-100.00%	The main reason is that, in last year, Dankang Company and Wenshan Livzon Company received the investments from other shareholders, but from January to September of this year, they have not received any investments.
Cash from loans	502,257,886.64	172,745,504.00	190.75%	The main reason is the increase of short-term loans of banks.
Repayments of loans	620,250,531.16	299,293,208.34	107.24%	The main reason is the repayment of short-term financing bonds of RMB 400 million Yuan that has been due.
Cash paid for distribution of dividends, profits and repayment of interests	199,049,650.22	56,998,779.07	249.22%	The main reason is the increase of cashes paid by the company while implementing the 2011 profit distribution plan.

(II) Analysis and particulars of major events, their effects and resolutions**1. Non-standard opinions**

Applicable Inapplicable

2. Particulars about the company providing the funds to its controlling shareholders or its associated parties, or proving the guaranty to foreign parties by violating the specified procedures

Applicable Inapplicable

3. Particulars about execution and performance of key contracts about routine operation

Applicable Inapplicable

4. Others

Applicable Inapplicable

(III) Performance of commitments by the Company or shareholders holding over 5% of total shares that occur in the report period or continue to the report period

(I) Commitments

1. In 2002, 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 in order to 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 deduct a percentage for Yiyang according to 10% of sales amount during the first three years when this product begins to be sold. And deduct a percentage according to 8% of sales amount during the next five years. And deduct a percentage according to 6% of sales amount from the remaining time to July 22, 2014 (the expiry date of agreement). Since 2009, the company has begun to sell the products and pay a specified percentage of sales volume to Yiyang as a commission 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 spasmodic and pellet will be USD1, 000,000 respectively (It has 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 Jimishaxing pellet 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. Since 2008, the company has begun to sell the products and pay a specified royalty to LG Company in accordance with the agreement.

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).

(II) Commitments of shareholders holding over 5% of total shares of the company

The controlling shareholder Joincare Pharmaceutical Group Industry Co., Ltd made the following commitments while handling the formalities to cancel trading restriction of shares: 1. If Joincare transfers its tradable shares of Livzon Group whose trading restriction has been released, it will strictly comply with the relevant regulations of the *Guiding Opinions on the Listed Companies' Transfer of Original Shares Released from Trading Restrictions* ([2008] No. 15 announcement) issued by China Securities Regulatory Commission. 2. If 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, Joincare will disclose the reminder announcement about the selling affairs via Livzon Group in 2 trading days before the first reduction.

During the report period, Joincare did not decrease its shareholding quantity of this company.

(IV) Forecast about operating performance in 2012

Warning and relevant reasons for the forecast that the accumulative net profit from the beginning of 2012 to the end of next report period may suffer from any loss or have any great changes over the same period of previous year

Applicable Inapplicable

(V) Particulars about Other Major events

1. Particulars about Securities investment

Applicable Inapplicable

No.	Securities Type	Securities Code	Securities abbreviation	Initial investment amount (RMB Yuan)	Holding quantity (share)	Book Values at the end of period	Percentage of total investment in the securities at the end	Profit and loss during the report period (RMB Yuan)

							of period (%)	
1	Stock	00135	Kunlun Energy	6,572,245.42	1,500,000	16,658,993.40	34.62%	1,517,470.52
2	Stock	00152	Shenzhen International	9,433,160.41	17,000,000	7,368,558.20	15.31%	761,287.61
3	Stock	00883	China National Offshore Oil Corporation	2,679,795.77	560,000	7,281,869.28	15.13%	229,512.53
4	Stock	02007	Phoenix Island	19,497,517.59	2,570,317	6,348,211.08	13.19%	-20,067.03
5	Stock	01880	Baili Company	2,192,064.14	428,000	4,914,378.52	10.21%	320,442.46
6	Stock	00438	Rainbow group	5,846,077.61	5,016,000	1,230,655.54	2.56%	-163,997.37
7	Stock	00390	China Railway Engineering Group Co.	1,499,254.24	314,000	870,536.68	1.81%	52,223.86
8	Stock	01186	China Railway Construction Corporation	1,007,642.38	114,000	647,026.47	1.34%	49,515.68
9	Stock	00368	Sinotrans Shipping	1,760,268.15	260,500	372,823.69	0.77%	-21,174.31
10	Stock	206001	Penghua Fund	150,000.00	619,572.96	509,660.72	1.06%	-37,731.99
Other securities investment at the end of this period				831,913.03	--	1,919,682.78	3.99%	0.00
Profit and loss of sold Securities investment during the report period				--	--	--	--	577.83
Total				51,469,938.74	--	48,122,396.36	100%	2,688,059.79

Remarks about securities investment: in above securities investment, the investment amount of H-share of H-share market of Hongkong has been converted to RMB amount at the exchange rate issued on September 30, 2012.

2. Investments in derivative products

Applicable Inapplicable

3. Holding particulars about derivative products during the report period

Applicable Inapplicable

4. List of Activities in which the Company receives the investigation, communication and interview, etc during the report period

Reception date	Reception place	Reception mode	Types of objects	Objects	Discussion topics and provided materials
August 27, 2012	Headquarters	Local investigation	Agency	Greatwall Fund Management Co., Ltd	Operation status of the Company; provide no text materials
August 27, 2012	Headquarters	Local investigation	Agency	Invesco Great Wall Fund Management Company Limited	Operation status of the Company; provide no text materials
August 28, 2012	Headquarters	Local investigation	Agency	Shanghai Great Wisdom	Operation status of the Company; p

	ters	estigation		Co., Ltd	rovide no text materials
September 21, 2012	Headquarters	Local investigation	Agency	Industrial Securities Co.,Ltd	Operation status of the Company; provide no text materials

5. Remarks about issuing the company bonds

Did the company issue the bonds?

Yes No

Remarks: On April 13, 2012, the 2011 annual shareholders' meeting examined and approved the Proposal Of The Company Complying With The Conditions For Issuing The Company Bonds, The Proposal Of The Company Issuing The Company Bonds, The Proposal Of Requesting The Shareholders' Meeting To Authorize The Board Of Directors To Fully Handle The Issuing Of The Company Bonds and agreed that the company would issue the company bonds with the total amount of no more than RMB 1 billion Yuan and also agreed about relevant authorization affairs(for more details, please see the announcements passed at the 2011 annual shareholders' meeting). At present, the company has not launched the issuing of company bonds, and has not submitted the issuing application to China Securities Regulatory Commission.

IV. Appendix

(I) Financial Statements

1. Consolidated Balance Sheet

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB Yuan

Item	Balance at the end of period	Balance at the beginning of period
Current assets:		
Currency capital	1,315,919,065.91	1,447,743,555.70
Reserve for settlement		
Lending to banks		
Tradable financial assets	48,122,396.36	44,343,013.65
Notes receivable	124,344,121.86	171,033,783.72
Accounts receivable	742,315,684.79	562,146,013.18
Advance money	200,341,806.28	213,817,751.28
Receivable premium		
Receivable reinsurance		
Receivable reserve for reinsurance contracts		
Interests receivable		
Dividend receivable		
Other receivables	59,213,582.77	44,488,052.86
Purchase of resold financial assets		
Inventory	518,130,519.32	424,422,841.35
Non-current assets due within one year		
Other current assets		
Total of current assets	3,008,387,177.29	2,907,995,011.74
Non-current assets:		
Release of loans and advance money		
Saleable financial assets	9,626,270.64	9,238,787.30
Investment held to the maturity date		
Long-term accounts receivable		

Long-term equity investment	119,688,732.08	118,529,007.91
Real estate for Investment		
Fixed assets	1,118,594,810.75	1,090,566,880.22
Engineering under construction	841,353,722.78	148,841,628.16
Engineering goods	3,543,796.60	2,536,926.00
Liquidation of fixed assets		
Production biology assets		
Oil and gas assets		
Intangible assets	204,041,345.10	170,385,550.58
Development expenses	1,510,153.51	1,510,153.51
Goodwill	103,040,497.85	103,040,497.85
Long-term deferred and prepaid expenses	14,525,342.38	14,270,426.26
Assets with deferred income taxes	39,290,698.21	35,994,112.21
Other non-current assets		
Subtotal of non-current assets	2,455,215,369.90	1,694,913,970.00
Total of assets	5,463,602,547.19	4,602,908,981.74
Current liabilities:		
Short-term loans	538,285,555.74	251,324,743.01
Loans from central banks		
Absorption of deposits and due from banks		
Borrowed capital		
Tradable financial liability		
Notes payable	201,382,615.68	
Accounts payable	310,282,503.70	207,941,294.31
Advance accounts	28,301,105.66	39,028,703.01
Selling of repurchased financial assets		
Payable formality fees and commissions		
Payroll payable	58,910,673.52	52,328,883.82
Tax payable	99,634,582.74	90,201,700.34
Interests payable	5,538,181.90	16,841,492.68
Dividend payable	2,531,984.46	2,531,984.46
Other accounts payable	675,403,688.03	460,447,555.37
Payable reinsurance payments		
Reserve for insurance contracts		
Acting trading securities		
Acting underwriting securities		
Non-current liabilities due within one year	400,000.00	400,000.00
Other current liabilities	400,000,000.00	400,000,000.00
Total of current liabilities	2,320,670,891.43	1,521,046,357.00
Non-current liabilities		
Long-term loan	1,200,000.00	1,200,000.00
Bonds payable		
Long-term accounts payable		
Special accounts payable		

Anticipation liability	59,785,075.35	67,143,287.92
Liabilities with the deferred income taxes	2,243,430.43	1,901,504.87
Other non-current liabilities		
Subtotal of non-current liabilities	63,228,505.78	70,244,792.79
Total of liabilities	2,383,899,397.21	1,591,291,149.79
Shareholders' equities:		
Share capital	295,721,852.00	295,721,852.00
Capital reserve	227,795,132.23	348,093,136.41
Minus: treasury share		
Special reserve		
Surplus reserve	479,211,417.19	479,211,417.19
General risk reserve		
Profit for the year	343,630,861.87	
Undistributed profit	1,592,784,942.59	1,740,645,868.60
Conversion difference of foreign currency financial statements	-21,590,608.35	-20,502,568.00
Subtotal of equities attributable to the shareholders of parent company	2,917,553,597.53	2,843,169,706.20
Equities of the minority of shareholders	162,149,552.45	168,448,125.75
Subtotal of owners' equities (shareholders' equities)	3,079,703,149.98	3,011,617,831.95
Total of liabilities and owners' equities (shareholders' equities)	5,463,602,547.19	4,602,908,981.74

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

Principal of the Financial Department: An Ning

2. Balance Sheet of Parent Company

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB Yuan

Item	Balance at the end of period	Balance at the beginning of period
Current assets:		
Currency capital	1,235,577,599.86	1,321,193,456.29
Tradable financial assets		
Notes receivable	14,671,762.58	11,041,114.87
Accounts receivable	334,082,401.15	255,482,126.08
Advance money	24,260,010.24	9,137,814.04
Interests receivable		
Dividend receivable		
Other accounts receivable	516,037,036.80	275,891,035.87
Inventory	83,117,428.46	110,291,112.80
Non-current assets due within one year		
Other current assets		
Total of current assets	2,207,746,239.09	1,983,036,659.95
Non-current assets:		
Saleable financial assets	9,626,270.64	9,238,787.30

Investment held to the maturity date		
Long-term accounts receivable		
Long-term equity investment	1,656,504,006.39	1,526,671,374.58
Real estate for Investment		
Fixed assets	91,415,267.70	91,805,857.98
Engineering under construction		
Engineering goods		
Liquidation of fixed assets		
Production biology assets		
Oil and gas assets		
Intangible assets	30,590,956.92	34,053,322.48
Development expenses	1,289,662.78	1,289,662.78
Goodwill		
Long-term deferred and prepaid expenses		
Assets with deferred income taxes	13,154,004.29	12,369,049.28
Other non-current assets		
Subtotal of non-current assets	1,802,580,168.72	1,675,428,054.40
Total of assets	4,010,326,407.81	3,658,464,714.35
Current liabilities:		
Short-term loans	404,163,075.74	82,699,143.01
Tradable financial liability		
Notes payable	481,482,615.68	
Accounts payable	29,972,610.23	181,117,755.18
Advance accounts	6,515,499.51	11,373,981.60
Payroll payable	20,242,541.24	20,721,517.12
Tax payable	31,374,164.74	10,233,643.04
Interests payable	4,409,594.51	15,068,501.59
Dividend payable	20,174.46	20,174.46
Other accounts payable	1,163,194,251.11	1,390,842,714.00
Non-current liabilities due within one year		
Other current liabilities	400,000,000.00	400,000,000.00
Total of current liabilities	2,541,374,527.22	2,112,077,430.00
Non-current liabilities		
Long-term loan		
Bonds payable		
Long-term accounts payable		
Special accounts payable		
Anticipation liability	15,907,258.92	24,138,969.42
Liabilities with the deferred income taxes		
Other non-current liabilities	1,070,435.98	1,012,313.47
Subtotal of non-current liabilities	16,977,694.90	25,151,282.89
Total of liabilities	2,558,352,222.12	2,137,228,712.89
Shareholders' equities:		
Share capital	295,721,852.00	295,721,852.00
Capital reserve	338,280,543.83	337,951,183.00

Minus: treasury share		
Special reserve		
Surplus reserve	274,248,363.61	274,248,363.61
Profit for the year	78,269,749.40	
General risk reserve		
Undistributed profit	465,453,676.85	613,314,602.85
Conversion margin in foreign currency statement		
Subtotal of owner's equities (or shareholders' equities)	1,451,974,185.69	1,521,236,001.46
Total of liabilities and owner's equities (shareholders' equities)	4,010,326,407.81	3,658,464,714.35

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

Principal of the Financial Department: An Ning

3. Consolidated Profit Statement in this report period

Prepared by: Livzon Pharmaceutical Group Inc.
Yuan

Unit: RMB

Item	Amount in this period	Amount in same period of previous year
I. Total operating income	1,024,017,114.12	792,405,153.47
Including: operating income	1,024,017,114.12	792,405,153.47
Interests income		
Earned premium		
Formality fees and commission incomes		
II. Total operating cost	886,983,260.30	697,370,353.90
Including: operating cost	395,932,474.48	341,459,503.89
Interests payment		
Formality fees and commission payment		
Refunded premium		
Net amount for compensation payment		
Net amount withdrawn for the reserve of insurance contracts		
Payments for the policy bonus		
Amortized Reinsurance Expenditures		
Operating tax and surtax	16,166,042.36	9,967,997.67
Sales expense	388,588,598.71	274,579,754.37
Management expense	82,212,107.88	74,541,335.77
Financial expense	-801,453.78	-8,029,278.84
Loss from asset depreciation	4,885,490.61	4,851,040.99
Plus: returns from the changes of fair values (the loss is listed beginning with "-").	2,685,743.04	-15,373,818.88
Investment returns (the loss is listed beginning with "-").	-62,961.81	1,797,547.34
Including: the investment returns from the associated enterprises and joint ent	1,017,790.33	-1,172,693.84

erprises		
Profits form currency exchange (the loss is listed beginning with "-").		
III. Operating profit (the loss is listed beginning with "-")	139,656,635.10	81,458,528.08
Plus : non-operating income	3,385,329.24	5,252,988.04
Minus: non-operating payments	1,688,605.08	1,865,785.95
Including: loss in the disposal of non-current assets	1,512,404.12	102,014.36
IV. Total profit (the loss is listed beginning with "-")	141,353,359.26	84,845,730.17
Minus: income tax expense	23,044,579.35	19,743,560.07
V. Net profit (the loss is listed beginning with "-")	118,308,779.91	65,102,170.10
Including: net profits of merged enterprise before the merger		
Net profit attributable to the owners of parent company	114,925,845.48	59,991,797.25
Profit and loss of the minority of shareholders	3,382,934.43	5,110,372.85
VI. Profit per share:	--	--
(I) Basic profit per share	0.39	0.2
(II) Diluted profit per share	0.39	0.2
VII. Other comprehensive profit	-1,523,140.49	-6,477,764.74
VIII. Total amount of comprehensive profit	116,785,639.42	58,624,405.36
Subtotal of comprehensive profits attributable to the owners of parent company	113,402,704.99	53,514,032.51
Subtotal of comprehensive profits attributable to the minority of shareholders	3,382,934.43	5,110,372.85

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

Principal of the Financial Department: An Ning

4. Profit Statement of Parent Company in this report period

Prepared by: Livzon Pharmaceutical Group Inc.
Yuan

Unit: RMB

Item	Amount in this period	Amount in same period of previous year
I. Operating income	471,436,667.27	350,926,420.24
Minus: operating cost	209,389,748.05	184,610,686.13
Operating tax and surtax	5,723,238.46	2,924,561.91
Sales expense	215,296,438.44	140,356,232.00
Management expense	29,788,566.10	26,753,977.54
Financial expense	887,374.45	-8,074,313.87
Loss from asset depreciation	1,984,531.88	2,729,388.76
Plus: returns from the changes of fair values (the loss is listed beginning with "-").		
Investment returns (the loss is listed be	-1,040,040.68	-540,987.52

ginning with “-”).		
Including: the investment returns from the associated enterprises and joint enterprises	43,028.21	-540,987.52
II. Operating profit (the loss is listed beginning with “-.”)	7,326,729.21	1,084,900.25
Plus : non-operating income	709,580.12	25,663.33
Minus: non-operating payments	32,175.50	1,644,662.40
Including: loss in the disposal of non-current assets	2,175.50	19,980.91
III. Total profit (the loss is listed beginning with “-.”)	8,004,133.83	-534,098.82
Minus: income tax expense	333,474.97	32,245.54
IV. Net profit (the loss is listed beginning with “-.”)	7,670,658.86	-566,344.36
V. Profit per share:	--	--
(I) Basic profit per share		
(II) Diluted profit per share		
VI. Other comprehensive profit	-26,680.83	-1,166,488.07
VII. Total amount of comprehensive profit	7,643,978.03	-1,732,832.43

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

Principal of the Financial Department: An Ning

5. Consolidated Profit Statement from the Beginning of Year to End of Report Period

Prepared by: Livzon Pharmaceutical Group Inc.
Yuan

Unit: RMB

Item	Amount in this period	Amount in same period of previous year
I. Total operating income	2,909,014,289.56	2,263,842,654.10
Including: operating income	2,909,014,289.56	2,263,842,654.10
Interests income		
Earned premium		
Formality fees and commission incomes		
II. Total operating cost	2,493,758,176.28	1,906,952,893.51
Including: operating cost	1,144,684,910.76	1,018,552,911.16
Interests payment		
Formality fees and commission payment		
Refunded premium		
Net amount for compensation payment		
Net amount withdrawn for the reserve of insurance contracts		
Payments for the policy bonus		
Amortized Reinsurance Expenditures		
Operating tax and surtax	40,442,078.86	28,300,021.22
Sales expense	1,062,612,062.72	658,489,170.63
Management expense	239,848,812.08	204,108,651.52

Financial expense	-11,860,825.07	-13,288,418.03
Loss from asset depreciation	18,031,136.93	10,790,557.01
Plus: returns from the changes of fair values (the loss is listed beginning with "-").	4,800,246.93	-15,329,948.18
Investment returns (the loss is listed beginning with "-").	1,668,506.76	1,142,974.78
Including: the investment returns from the associated enterprises and joint enterprises	1,159,724.22	-2,645,427.34
Profits form currency exchange (the loss is listed beginning with "-").		
III. Operating profit (the loss is listed beginning with "-")	421,724,866.98	342,702,787.19
Plus : non-operating income	15,945,423.03	27,503,971.07
Minus: non-operating payments	1,913,000.47	2,119,871.89
Including: loss in the disposal of non-current assets	1,712,449.65	162,021.45
IV. Total profit (the loss is listed beginning with "-")	435,757,289.54	368,086,886.37
Minus: income tax expense	70,716,571.44	66,744,421.51
V. Net profit (the loss is listed beginning with "-")	365,040,718.10	301,342,464.86
Including: net profits of merged enterprise before the merger		
Net profit attributable to the owners of parent company	343,630,861.87	280,853,492.84
Profit and loss of the minority of shareholders	21,409,856.23	20,488,972.02
VI. Profit per share:	--	--
(I) Basic profit per share	1.16	0.95
(II) Diluted profit per share	1.16	0.95
VII. Other comprehensive profit	-758,679.51	-9,096,053.43
VIII. Total amount of comprehensive profit	364,282,038.59	292,246,411.43
Subtotal of comprehensive profits attributable to the owners of parent company	342,872,182.36	271,757,439.41
Subtotal of comprehensive profits attributable to the minority of shareholders	21,409,856.23	20,488,972.02

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

Principal of the Financial Department: An Ning

6. Profit Statement of Parent Company from the beginning of year to the end of report period

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB Yuan

Item	Amount in this period	Amount in same period of previous year
I. Operating income	1,330,394,470.97	946,006,255.04
Minus: operating cost	618,489,681.40	546,206,247.87

Operating tax and surtax	15,007,084.06	7,137,672.34
Sales expense	578,787,562.33	286,635,513.99
Management expense	78,844,140.80	70,515,637.96
Financial expense	-1,050,434.13	-16,634,251.68
Loss from asset depreciation	11,596,805.04	5,052,638.17
Plus: returns from the changes of fair values (the loss is listed beginning with "-").		
Investment returns (the loss is listed beginning with "-").	50,452,050.71	98,300,968.59
Including: the investment returns from the associated enterprises and joint enterprises	-732,296.10	-1,576,039.41
II. Operating profit (the loss is listed beginning with "-")	79,171,682.18	145,393,764.98
Plus : non-operating income	1,921,939.59	284,292.64
Minus: non-operating payments	51,495.58	1,670,070.99
Including: loss in the disposal of non-current assets	4,133.00	25,573.39
III. Total profit (the loss is listed beginning with "-")	81,042,126.19	144,007,986.63
Minus: income tax expense	2,772,376.79	6,886,857.76
IV. Net profit (the loss is listed beginning with "-")	78,269,749.40	137,121,128.87
V. Profit per share:	--	--
(I) Basic profit per share		
(II) Diluted profit per share		
VI. Other comprehensive profit	329,360.84	-1,765,395.59
VII. Total amount of comprehensive profit	78,599,110.24	135,355,733.28

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

Principal of the Financial Department: An Ning

7. Consolidated cash flow statement from the Beginning of Year to End of Report Period

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB Yuan

Item	Amount in this period	Amount in same period of previous year
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	2,979,324,386.94	2,229,443,047.45
Net increase from client deposits and deposits from other banks		
Net increase from the loans from central banks		
Net increase from the loans from other financial institutions		
Cash received from the premium of original insurance contracts		
Net cash amount received from the rei		

Insurance business		
Net increase from receivable deposits from the insured and investments		
Net increase from disposal of tradable financial assets		
Cash from receiving the interests, formality fees and commissions		
Net increase from the loans of banks		
Net increase from the repurchase business capitals		
Tax refunding	15,341,233.91	6,213,246.47
Cash received related to other operating activities	193,038,701.95	83,981,322.58
Subtotal of cash inflow from the operating activities	3,187,704,322.80	2,319,637,616.50
Cash paid for purchase of goods or receiving of services	742,838,101.48	714,017,294.94
Net increase of client loans and advance money		
Net increase of deposits in central banks and other banks		
Cash used for paying the compensation expenses in the original insurance contracts		
Cash paid for the interests, formality fees and commissions		
Cash paid for the bonus of policies		
Cash paid to and on behalf of employees	234,507,204.82	206,159,157.98
Tax payments	429,747,964.16	346,524,302.40
Other cashes paid to operating activities	1,251,391,775.83	644,907,743.38
Subtotal of cash outflow from operating activities	2,658,485,046.29	1,911,608,498.70
Net cash flow from operating activities	529,219,276.51	408,029,117.80
II. Cash flow from investment activities:		
Cash received from disposal of investments	1,979,144.92	
Cash received from investment returns	1,033,253.97	1,049,579.38
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	315,123.60	600,700.00
Net cash received in disposal of the subcompanies and other operating units		
Cash received related to other investment activities		
Subtotal of cash inflow from the investment activities	3,327,522.49	1,650,279.38
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	669,948,180.40	209,089,094.21
Cash paid to acquire investments	75,766,298.43	77,239,971.40

Net increase from the mortgage loan		
Net cash paid to acquire the subcompanies and other operating units		
Cash paid related to other investment activities		
Subtotal of cash outflow from investment activities	745,714,478.83	286,329,065.61
Net amount of cash flow received from the investment activities	-742,386,956.34	-284,678,786.23
III. Cash flow from financing activities:		
Cash received from investors		11,270,000.00
Including: cash received from the investment of minority of shareholders in the subcompanies		
Cash from loans	502,257,886.64	172,745,504.00
Cash from the issuing of short-term financing bonds		400,000,000.00
Cash received related to other financing activities	13,250,000.00	6,200,000.00
Subtotal of cash inflow from the financing activities	515,507,886.64	590,215,504.00
Repayments of loans	620,250,531.16	299,293,208.34
Cash paid for distribution of dividends, profits and repayment of interests	199,049,650.22	56,998,779.07
Including: the dividends and profits paid to the minority of shareholders by the subcompanies		56,998,779.07
Cash payments related to other financing activities	1,600,000.00	1,600,000.00
Loans to subcompanies		1,600,000.00
Sub-total of cash outflow from the financing activities	820,900,181.38	416,490,766.48
Net cash flow from financing activities	-305,392,294.74	173,724,737.52
IV. Effect of foreign exchange fluctuation on cash and cash equivalents	1,237,771.65	-2,285,521.03
V. Net increase of cash and cash equivalents	-117,322,202.92	353,388,327.13
Plus: Balance of cash and cash equivalents at the beginning of the period	1,432,175,794.78	353,388,327.13
VI Balance of cash and cash equivalents at the end of the period	1,314,853,591.86	1,197,870,184.72

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

Principal of the Financial Department: An Ning

8. Cash Flow Statement of Parent Company from the Beginning of Year to End of Report Period

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB Yuan

Item	Amount in this period	Amount in same period of previous
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		year
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	1,359,174,946.52	946,025,305.81
Tax refunding		98,724.31
Cash received related to other operating activities	233,975,884.89	127,641,195.39
Subtotal of cash inflow from the operating activities	1,593,150,831.41	1,073,765,225.51
Cash paid for purchase of goods or receiving of services	571,235,760.39	573,826,849.93
Cash paid to and on behalf of employees	56,116,061.68	55,110,014.24
Tax payments	132,879,456.76	71,045,139.36
Other cashes paid to operating activities	791,906,389.61	376,964,672.72
Subtotal of cash outflow from operating activities	1,552,137,668.44	1,076,946,676.25
Subtotal of cash outflow from operating activities	41,013,162.97	-3,181,450.74
Net cash flow from operating activities		
Cash received from disposal of investments		
Cash received from investment returns	151,818.90	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	168,000.00	187,095.00
Net cash received in disposal of the subcompanies and other operating units		
Cash received related to other investment activities	52,115,596.80	99,877,008.00
Subtotal of cash inflow from the investment activities	52,435,415.70	100,064,103.00
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	13,976,887.82	12,749,509.10
Cash paid to acquire investments	75,766,298.43	362,969,971.40
Net cash paid to acquire the subcompanies and other operating units		
Cash paid related to other investment activities		126,379.95
Subtotal of cash outflow from investment activities	89,743,186.25	375,845,860.45
Net amount of cash flow received from the investment activities	-37,307,770.55	-275,781,757.45
III. Cash flow from financing activities:		
Cash received from investors		
Cash from loans	477,852,886.64	85,070,944.00
Cash from the issuing of short-term financing bonds		400,000,000.00

Cash received related to other financing activities		
Subtotal of cash inflow from the financing activities	477,852,886.64	485,070,944.00
Repayments of loans	559,848,551.16	190,027,800.11
Cash paid for distribution of dividends, profits and repayment of interests	191,663,827.91	33,954,051.97
Cash payments related to other financing activities	1,600,000.00	1,600,000.00
Loans to subcompanies	201,119,907.85	-605,504,148.33
Sub-total of cash outflow from the financing activities	954,232,286.92	-345,968,244.28
Net cash flow from financing activities	-476,379,400.28	831,039,188.28
IV. Effect of foreign exchange fluctuation on cash and cash equivalents	308,151.43	-2,480.27
V. Net increase of cash and cash equivalents	-72,365,856.43	586,027,551.79
Plus: Balance of cash and cash equivalents at the beginning of the period	1,306,877,982.24	586,027,551.79
VI Balance of cash and cash equivalents at the end of the period	1,234,512,125.81	1,107,348,040.48

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

Principal of the Financial Department: An Ning

(II) Auditing report

Auditing opinion: this financial statement has not been audited.

Livzon Pharmaceutical Group Inc.

Chairman: Zhu Baoguo

October 27, 2012