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麗珠醫藥集團股份有限公司
LIVZON PHARMACEUTICAL GROUP INC.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 1513)

2014 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of 麗珠醫藥集團股份有限公司 Livzon Pharmaceutical Group Inc.* (the "**Company**") and its subsidiaries (collectively the "**Group**") is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2014 (the "**Reporting Period**"). This interim results announcement (the "**Results Announcement**") is extracted from the full text of the 2014 interim report. Investors who wish to know more details are advised to refer to the full text of the 2014 interim report.

The Results Announcement is published in both Chinese and English. In case of any discrepancies, the Chinese version shall prevail.

1 IMPORTANT NOTICE

1.1 The Board, Supervisory Committee, and the Directors, Supervisors and senior management of the Company guarantee the information in the Results Announcement does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of its contents. The Results Announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.livzon.com.cn). The Results Announcement is extracted from the 2014 interim report, the full text of which will be published on the above websites and despatched to the H shareholders of the Company in due course.

1.2 The Results Announcement has been considered and approved at the 2nd Meeting for the Eighth Session of the Board of the Company. All Directors guarantee, and there is no dissenting opinion as to, the truthfulness, accuracy and completeness of contents in the Results Announcement. All Directors attended the 2nd Meeting for the Eighth Session of the Board.

1.3 The Group has prepared the financial report in accordance with China Accounting Standards for Business Enterprises. The 2014 interim financial statements and notes thereof (collectively the "**Financial Report**") prepared according to China Accounting Standards for Business Enterprises by the Group have not been audited.

1.4 Mr. Zhu Baoguo（朱保國先生）, the person-in-charge of the Company, Ms. Si Yanxia（司燕霞女士）, the person-in-charge of the Company's financial affairs (mainly responsible for accounting work), and Ms. Qing Jianying（庄健瑩女士）, the person-in-charge of the accounting department, declare that they guarantee the truthfulness and completeness of the Financial Report in the Results Announcement.

2 COMPANY PROFILE

2.1 Company Information

	A Shares	**H Shares** *(Note 1)*
Stock abbreviation	Livzon Group	Livzon Pharma, 麗珠H代 *(Note 2)*
Stock code	000513	01513, 299902 *(Note 3)*
Stock exchange	The Shenzhen Stock Exchange	The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")

Note 1: On 16 January 2014, the Company's domestically listed foreign shares (B Shares) were converted into overseas listed foreign shares (H Shares), and the H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange by way of introduction. The stock code of the original B Shares was 200513, and the stock abbreviation of which was Livzon B.

Notes 2 and 3: The abbreviation and the stock code were only used by domestic shareholders of original B Shares of the Company in the People's Republic of China ("**China**" or "**PRC**") in respect of their trading of H Shares of the Company after H Shares of the Company were listed on the Hong Kong Stock Exchange.

2.2 Contact Persons and Contact Details

	Secretary to the Board	**Representative of securities affairs**
Name	Yang Liang	Wang Shuguang
Telephone	(0756) 8135888	(0756) 8135888
Fax	(0756) 8886002	(0756) 8886002
E-mail	yangliang2014@livzon.com.cn	wangshuguang2008@livzon.com.cn
Address	Livzon Building, 132 Guihua North Road, Gongbei, Zhuhai, Guangdong Province, China	

3 SUMMARY OF ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

3.1 Changes of significant accounting policies, accounting estimates and correction of accounting errors

During the Reporting Period, the Company retrospectively adjusted the accounting information for the previous years due to changes of accounting policies. According to the provisions in the Notice on Issuing the Revised "Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment"(Cai Kuai [2014] No. 14) and the Notice on Issuing the "Accounting Standards for Business Enterprises No. 41 – Disclosure of Interests in Other Entities" (Cai Kuai [2014] No. 16), overseas listed companies are encouraged to early adopt the above newly issued or revised accounting standards before they become effective. As such, the Company began the early adoption of the above two accounting standards from 1 January 2014 onwards according to the resolution passed at the 2nd Meeting for the Eighth Session of the Board.

The major effects of changes of accounting policies on the financial statements this year as a results of the adoption of the above standards are as follows:

(1) Consolidated statement

Amount denominated: RMB

January to June 2014	**Opening balance/ incurred during the current period before adoption**	**Adoption of Accounting Standards (Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment)**	**Opening balance/ incurred during the current period after adoption**
Available-for-sale financial assets	10,041,559.76	82,253,108.84	92,294,668.60
Long-term equity investment	123,764,866.29	-82,253,108.84	41,511,757.45

January to June 2013	Opening balance/ incurred during the current period before adoption	Adoption of Accounting Standards (Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment)	Opening balance/ incurred during the current period after adoption
Available-for-sale financial assets	10,612,859.66	82,253,108.84	92,865,968.50
Long-term equity investment	120,961,203.38	-82,253,108.84	38,708,094.54

(2) Statement of parent company

Amount denominated: RMB

January to June 2014	Opening balance/ incurred during the current period before adoption	Adoption of Accounting Standards (Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment)	Opening balance/ incurred during the current period after adoption
Available-for-sale financial assets	10,041,559.76	81,753,108.84	91,794,668.60
Long-term equity investment	1,712,566,612.12	-81,753,108.84	1,630,813,503.28

January to June 2013	Opening balance/ incurred during the current period before adoption	Adoption of Accounting Standards (Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment)	Opening balance/ incurred during the current period after adoption
Available-for-sale financial assets	10,612,859.66	81,753,108.84	92,365,968.50
Long-term equity investment	1,660,096,199.25	-81,753,108.84	1,578,343,090.41

Apart from the above adjustments, there are no other financial data that have been adjusted due to the changes of accounting policies during the Reporting Period.

3.2 Significant accounting information prepared in accordance with the China Accounting Standards for Business Enterprises

Amount denominated: RMB

Items	**Reporting Period (January to June 2014)**	Same period last year (January to June 2013)	Change compared with the same period last year *(%)*
Operating income	**2,628,474,326.38**	2,162,261,822.40	21.56%
Operating profit	**344,869,755.57**	308,523,239.34	11.78%
Profit before tax	**367,217,199.76**	322,099,611.15	14.01%
Income tax expenses	**56,080,132.00**	52,423,967.25	6.97%
Net profit for the period	**311,137,067.76**	269,675,643.90	15.37%
Net profit attributable to shareholders of the Company	**290,934,056.78**	259,310,414.64	12.20%
Non-controlling interests	**20,203,010.98**	10,365,229.26	94.91%
Total comprehensive income	**308,126,205.89**	267,625,496.80	15.13%
Total comprehensive income attributable to shareholders of the Company	**287,901,040.90**	257,265,409.40	11.91%
Share capital	**295,721,852**	295,721,852	0.00%
Net cash from operating activities	**203,575,208.54**	185,831,023.54	9.55%

Amount denominated: RMB

Items	**At the end of the Reporting Period (30 June 2014)**	At the end of last year (31 December 2013)	Change compared with the end of last year *(%)*
Total current assets	**3,230,665,841.46**	2,980,726,564.42	8.39%
Total non-current assets	**3,914,359,076.51**	3,585,279,560.49	9.18%
Total assets	**7,145,024,917.97**	6,566,006,124.91	8.82%
Total current liabilities	**2,651,545,388.75**	2,329,680,971.69	13.82%
Total non-current liabilities	**626,021,273.34**	631,805,669.34	–0.92%
Total liabilities	**3,277,566,662.09**	2,961,486,641.03	10.67%
Shareholders' equity	**3,867,458,255.88**	3,604,519,483.88	7.29%
Total equity attributable to shareholders of the Company	**3,484,688,691.39**	3,344,648,576.49	4.19%
Non-controlling interests	**382,769,564.49**	259,870,907.39	47.29%

3.3 Principal Financial Indicators

Principal financial indicators	**Reporting Period (January to June 2014)**	Same period last year (January to June 2013)	Change compared with the same period last year *(%)*
Basic earnings per share *(RMB/share)*	**0.98**	0.88	11.36%
Diluted earnings per share *(RMB/share)*	**0.98**	0.88	11.36%
Weighted average return on net assets *(%)*	**8.34%**	8.27%	0.07%
Weighted average return on net assets after deducting the non-recurring gains and losses *(%)*	**7.77%**	7.92%	-0.15%
Net cash flow from operating activities per share *(RMB/share)*	**0.688**	0.628	9.55%

Principal financial indicators	**At the end of the Reporting Period (30 June 2014)**	At the end of last year (31 December 2013)	Change compared with the end of last year *(%)*
Net assets per share attributable to the shareholders of the Company *(RMB/share)*	**11.78**	11.31	4.19%
Gearing ratio *(%) (Note)*	**45.87%**	45.10%	0.77%

Note: The gearing ratio is calculated by dividing the total liabilities of the Group on the respective dates by the total assets.

3.4 Items and amounts of extraordinary gains or losses

Items	Amount denominated: RMB **Amount**
Gains and losses from disposal of non-current assets	-494,642.81
Government grants included in the profit or loss for the current period	22,037,802.08
Investment income derived from the holding of financial assets held for trading, gains or losses arising from changes in fair value of financial liabilities held for trading and disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets (excluding the effective hedging activities of the normal operations of the Group)	2,839,072.06
Other non-operating income and expenses apart from the above	804,284.92
Total extraordinary gains and losses (affecting gross profit)	25,186,516.25
Less: Effect on income tax	3,666,538.13
Effect on non-controlling interests (after tax)	1,562,054.83
Total	19,957,923.29

4 BUSINESS REVIEW

4.1 Business development in the Reporting Period

4.1.1 Performance review

During the Reporting Period, the Group reported an operating income of RMB2,628.47 million, representing an increase of 21.56% as compared with RMB2,162.26 million for the same period last year. Net profit was RMB311.14 million, representing an increase of 15.37% over RMB269.68 million for the same period last year. Net profit attributable to shareholders of the Company was RMB290.93 million, up by 12.20% as compared with RMB259.31 million for the same period last year. Excluding extraordinary gains and losses, the Company's net profit attributable to its shareholders generated from principal activities in the first half of 2014 was RMB270.98 million, representing an increase of 9.10% when compared with RMB248.38 million for the same period last year.

4.1.2 Analysis of principal activities

Operating Income and Costs of Principal Activities

Product categories and names	Amount incurred for the Reporting Period		Amount incurred for the same period last year					
	Operating income *(RMB)*	Operating cost *(RMB)*	Operating income *(RMB)*	Operating cost *(RMB)*	Gross profit margin for the period *(%)*	Year-on-year change in operating income *(%)*	Year-on-year change in operating cost *(%)*	Year-on-year change in gross profit margin *(%)*
1. Drug preparation products								
(1) Western drug preparation products	1,020,404,325.31	249,746,874.57	788,054,616.86	206,564,256.22	75.52%	29.48%	20.91%	1.74%
Including: Gastrointestinal	202,699,817.49	22,266,882.78	177,085,277.79	21,331,635.26	89.01%	14.46%	4.38%	1.06%
Cardio-cerebral vascular	79,388,702.57	18,412,900.56	72,477,673.31	17,181,393.35	76.81%	9.54%	7.17%	0.51%
Antibiotics	168,020,368.07	39,490,245.60	133,415,458.61	38,257,257.31	76.50%	25.94%	3.22%	5.17%
Gonadotropic hormones	365,627,291.28	131,196,493.97	270,853,274.68	93,290,769.53	64.12%	34.99%	40.63%	-1.44%
Others	204,668,145.90	38,380,351.66	118,918,451.51	20,094,120.06	81.25%	52.48%	5.18%	8.44%
(2) Chinese drug preparation products	827,214,672.39	178,135,374.05	791,562,122.89	161,538,367.54	78.47%	4.50%	10.27%	-1.13%
Including: Shengqi Fuzheng Injection	604,696,849.43	96,748,598.49	588,984,786.21	89,815,428.22	84.00%	2.67%	7.72%	-0.75%
2. Bulk medicines and intermediates	500,843,650.89	429,042,521.62	397,815,396.77	349,888,612.78	14.34%	25.90%	22.62%	2.29%
3. Diagnostic reagents and equipment	203,063,114.66	89,584,166.31	175,836,534.61	82,174,063.17	55.88%	15.48%	9.02%	2.62%
4. Others	6,826,332.20	7,381,115.41	0.00	0.00	-8.13%	–	–	–
Total	2,558,352,095.45	953,890,051.96	2,153,268,671.13	800,165,299.71	62.71%	18.81%	19.21%	-0.13%

During the Reporting Period, the Group's principal activities generated an operating income of RMB2,558.35 million, representing an increase of RMB405.08 million or 18.81% as compared with RMB2,153.27 million for the same period last year. Among which, the sales growth in gonadotropic hormones products and antibiotics was significant, representing a year-on-year increase of 34.99% and 25.94% respectively. The increase in sales of those products has primarily reflected the continuous increase in the demand for such products and the Group's further reinforcement of marketing management.

During the Reporting Period, the Group's operating costs of principal activities amounted to RMB953.89 million, representing an increase of RMB153.72 million or 19.21% as compared with RMB800.17 million for the same period last year. The rise in costs was slightly higher than the income growth rate.

Operating Income of Principal Activities by Regions

Regions	Amount incurred for the Reporting Period		Amount incurred for the same period last year	
	Operating income	**Operating cost**	**Operating income**	**Operating cost**
Domestic	2,345,697,364.51	780,953,500.47	1,994,155,417.81	675,376,831.05
Overseas	212,654,730.94	172,936,551.49	159,113,253.32	124,788,468.66
Total	2,558,352,095.45	953,890,051.96	2,153,268,671.13	800,165,299.71

Major Customers and Suppliers

Period	Total operating income from top five customers	Percentage of operating income for the same period *(%)*
January to June 2014	197,199,361.08	7.50
January to June 2013	180,634,763.82	8.35

The Company operates a single operating segment in the PRC, i.e. pharmaceutical manufacturing. Accordingly, no operating segment information of the Company is presented.

Expenses

During the Reporting Period, the Group's three major expense items (selling expenses, administrative expenses and financial expenses) amounted to RMB1,225.69 million, an increase of RMB222.2 million or 22.14% year-on-year. Details are as follows:

Items	Reporting Period *(RMB)*	Same period last year *(RMB)*	Year-on-year Change *(%)*
Selling expenses	**1,021,013,816.96**	825,119,808.36	23.74%
Administrative expenses	**191,937,465.62**	189,171,222.87	1.46%
Financial expenses	**12,739,496.67**	-10,796,789.08	217.99%

(1) Selling expenses rose by 23.74% year-on-year, mainly due to an increase in marketing and promotion expenses;

(2) Administrative expenses rose by 1.46% year-on-year, mainly due to an increase in investment on research and development;

(3) Financial expenses rose by 217.99% year-on-year, mainly due to an increase in borrowings, higher interest expenses and change in exchange rates which resulted in an increase in exchange losses derived from borrowings denominated in foreign currency for the period. On the other hand, financing interest for the period was lower than the same period last year.

During the Reporting Period, the total income tax expenses were RMB56.08 million, representing an increase of RMB3.66 million or 6.97% year-on-year .

Research and development expenditure

During the Reporting Period, the Group's expenditures related to research and development amounted to RMB117.19 million, representing an increase of 13.79% year-on-year . The amount accounted for 3.36% of net assets attributable to shareholders of the Company and 4.46% of the Group's total operating income for the Reporting Period.

The progress of the Group's key R&D projects during the Reporting Period was as follows: Regarding recombinant Humanised Anti-tumor Necrosis Factor α Monoclonal Antibody for Injection, it went through stage Ia clinical trials smoothly with preliminary results in line with expectations and the subsequent stage Ib clinical trials was under preparation at the same time; for anti-CD20 biosimilar monoclonal antibody and recombinant biosimilar human chorionic gonadotropin (rhCG), it had completed preclinical studies and clinical drug production. It was intended that the request for clinical applications would be submitted in the year; for the project on capsules for toxin degradation and kidney protection, the stage IIa clinical trials were successful completed and it was preparing for the clinical trials of stage IIb/III; for the Sanhuafen Injection（三花粉針）project, the stage IIa clinical trial proposal has been prepared and the testing samples of stage IIa clinical trials were also available, hence the said trials would commence in the second half of the year; for Encephalitis B Vaccine (Vero cells), the production registration was under review and the review is expected to be completed in the second half of the year; for the rotavirus vaccine clinical research project, it had commenced the research on production processes and product quality before clinical applications. The vero cell proliferation of rotavirus was initially established.

4.1.3 Analysis of Major Subsidiaries and Investee Companies

Company names	Major products and services	Registered capital *(RMB'0,000)*	Total assets *(RMB'0,000)*	Net assets *(RMB'0,000)*	Net profit *(RMB'0,000)*
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	principally engaged in the production and sale of chemical drugs, biochemical drugs, microbiological preparations, antibiotics, etc.	45,000.00	242,063.36	122,868.40	6,075.41
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	principally engaged in the research, production and sale of traditional Chinese medicine, major products include Anti-viral Granules, Dexaltin Oral Paste, etc.	14,900.00	60,464.17	54,281.64	6,555.47
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	principally engaged in the production and operation of the Chinese drug preparations and pharmaceutical raw materials, etc., major products include Shenqi Fuzheng Injection, Xueshuantong, etc.	6,156.10	77,791.36	41,296.24	4,868.52
Zhuhai Livzon Diagnostic Reagents Inc. (珠海麗珠試劑有限公司)	principally engaged in the production and sale of diagnostic reagents, major products include Chlamydia Trachomatis Antigen Diagnostic Kit and ELISA HIV Testing Reagents Kit.	4,645.08	40,753.32	25,472.13	3,799.56

Note: The above table shows the subsidiaries and investee companies with net profit contribution or return on investment which account for more than 10% of the net profit of the Company.

4.2 Financial position of the Reporting Period

4.2.1 Material Changes in Assets

	30 June 2014 Amount *(RMB)*	**30 June 2014** Proportion of total assets *(%)*	31 December 2013 Amount *(RMB)*	31 December 2013 Proportion of total assets *(%)*	Change compared with the end of last year *(%)*
Other receivables	**56,615,414.49**	**0.79%**	39,477,295.95	0.60%	43.41%
Inventories	**828,596,708.67**	**11.60%**	641,649,965.85	9.77%	29.14%
Available-for-sale financial assets	**180,452,289.93**	**2.53%**	92,294,668.60	1.41%	95.52%

The reasons for the year-on-year changes of over 30% in the related items were:

1. "Other receivables" increased by 43.41% year-on-year, which was mainly attributable to the increase in business advances and increase in export tax rebate receivables during the Reporting Period;

2. "Available-for-sale financial assets" increased by 95.52% year-on-year, which was mainly attributable to the increase in investment during the Reporting Period.

4.2.2 Material Changes in Liabilities

	30 June 2014		31 December 2013		
	Amount *(RMB)*	**Proportion of total assets** *(%)*	Amount *(RMB)*	Proportion of total assets *(%)*	Change compared with the end of last year *(%)*
Short-term borrowings	**684,707,900.18**	**9.58%**	491,084,453.79	7.48%	39.43%
Staff remuneration payables	**49,920,862.56**	**0.70%**	90,493,756.24	1.38%	-44.84%
Taxes payables	**39,509,141.54**	**0.55%**	89,414,763.31	1.36%	-55.81%
Dividends payables	**150,392,910.46**	**2.10%**	2,531,984.46	0.04%	5839.72%
Non-controlling interests	**382,769,564.49**	**5.36%**	259,870,907.39	3.96%	47.29%

The reasons for the year-on-year changes of over 30% in the related items were:

1. "Short-term borrowings" increased by 39.43% year-on-year, which was mainly attributable to increases in borrowings during the Reporting Period;

2. "Staff remuneration payables" decreased by 44.84% year-on-year, which was mainly attributable to the payment of year-end bonus for last year during the Reporting Period;

3. "Taxes payables" decreased by 55.81% year-on-year, which was mainly attributable to the payment of enterprise income tax for last year during the Reporting Period;

4. "Dividends payables" increased by 5,839.72% year-on-year, which was mainly attributable to the distribution of dividends during the Reporting Period;

5. "Non-controlling interests" increased by 47.29% year-on-year, which was mainly attributable to the increase of capital contribution by the non-controlling shareholders during the Reporting Period.

Gearing ratio

As at 30 June 2014 and 31 December 2013, the gearing ratios were calculated by dividing the Group's total liabilities at each respective date by the total assets. The Group's gearing ratio increased to 45.87% as at 30 June 2014 from 45.10% as at 31 December 2013.

4.2.3 Material Changes in Income Statement Items

	30 June 2014 *(RMB)*	30 June 2013 *(RMB)*	Change compared with the same period last year *(%)*
Financial expenses	**12,739,496.67**	-10,796,789.08	217.99%
Losses from impairment of assets	**34,101,943.96**	16,030,577.83	112.73%
Gain from changes in fair value	**-868,465.62**	-1,242,332.26	30.09%
Investment income	**6,664,307.02**	3,086,974.76	115.88%
Non-operating income	**23,405,956.79**	15,038,795.39	55.64%
Gains and losses of non-controlling interests	**20,203,010.98**	10,365,229.26	94.91%
Other comprehensive income	**-3,010,861.87**	-2,050,147.10	-46.86%

The reasons for the year-on-year changes of over 30% in the related items were:

1. "Financial expenses" increased by 217.99% year-on-year, mainly due to increase in borrowings, higher interest expenses and change of exchange rates which resulted in an increase in exchange losses derived from borrowings denominated in foreign currency for the period. On the other hand, financing interest for the period was lower than the same period last year;

2. "Losses from impairment of assets" increased by 112.73% year-on-year, mainly due to an increase of inventory impairment provision during the Reporting Period;

3. "Gain from changes in fair value" increased by 30.09% year-on-year, mainly due to an increase of market value of stocks held at the end of the Reporting Period;

4. "Investment income" increased by 115.88% year-on-year, mainly due to the gain from disposal of certain available-for-sale financial assets during the Reporting Period;

5. "Non-operating income" increased by 55.64% year-on-year, mainly due to an increase in government subsidies received during the Reporting Period;

6. "Gains and losses of non-controlling interests" increased by 94.91% year-on-year, mainly due to share transfer during the Reporting Period, resulting in an increase of gains and losses of non-controlling interests;

7. “Other comprehensive income” decreased by 46.86% year-on-year, mainly due to disposal of certain available-for-sale financial assets during the Reporting Period and their fair value was changed when they were transferred from capital reserve into investment gain.

4.2.4 Material changes in cash flow items

	30 June 2014 *(RMB)*	30 June 2013 *(RMB)*	Change compared with the same period last year *(%)*
Cash received from sale of goods and rendering of services	**2,733,562,348.93**	2,055,899,741.95	32.96%
Refund of taxes	**15,426,719.13**	7,182,715.19	114.78%
Cash received relating to other operating activities	**36,820,519.50**	78,591,439.75	-53.15%
Cash paid for goods and services	**829,358,588.19**	561,014,418.82	47.83%
Cash paid relating to other operating activities	**1,128,246,344.50**	861,743,634.48	30.93%
Cash received from disposal of investments	**5,750,268.92**	46,832,558.60	-87.72%
Cash received from return on investments	**343,356.46**	528,338.99	-35.01%
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**2,793,129.60**	126,808.00	2102.64%
Cash received relating to other investing activities	**9,444,211.41**	–	100.00%
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	**361,186,124.08**	540,643,798.72	-33.19%
Cash paid for investments	**93,254,995.09**	–	100.00%
Cash paid relating to other investment activities	**2,400,000.00**	5,400,000.00	-55.56%
Cash received from investors	**98,000,000.00**	49,000,000.00	100.00%
Cash received from borrowings	**474,419,867.17**	250,169,855.44	89.64%
Cash received from issue of financing bills	**–**	400,000,000.00	-100.00%
Cash repayments of indebtedness	**287,764,480.88**	139,400,620.91	106.43%
Cash paid for dividends, profit distributions or interest	**47,965,099.91**	12,252,709.65	291.47%
Effect of foreign exchange rate changes on cash and cash equivalents	**1,336,081.35**	-819,287.90	263.08%

The reasons for the year-on-year changes of over 30% in the related items were:

1. "Cash received from sale of goods and rendering of services" increased by 32.96% year-on-year, mainly due to an increase of sales during the Reporting Period;

2. "Refund of taxes" increased by 114.78% year-on-year, mainly due to an increase in export tax refund received during the Reporting Period;

3. "Cash received relating to other operating activities" decreased by 53.15% year-on-year, mainly due to a decrease in deposits received;

4. "Cash paid for goods and services" increased by 47.83% year-on-year, mainly due to an increase of purchase expenses which was in line with higher sales;

5. "Cash paid for relating to other operating activities" increased by 30.93% year-on-year, mainly due to an increase of relevant expenses as sales increased;

6. "Cash received from disposal of investments" decreased by 87.72% year-on-year, mainly due to cash received from disposal of a majority of marketable financial assets, such as stocks, during the same period last year;

7. "Cash received from return on investments" decreased by 35.01% year-on-year, mainly due to a decrease of dividends received from investees during the Reporting Period;

8. "Net cash received from disposal of fixed assets, intangible assets and other long-term assets" increased by 2,102.64% year-on-year, mainly due to an increase of cash received from disposal of fixed assets;

9. "Cash received relating to other investing activities" increased by 100.00% year-on-year, mainly due to increases of receipts of bank acceptance deposits and deposits for letters of credit during the Reporting Period;

10. "Cash paid for acquisition of fixed assets, intangible assets and other long-term assets" decreased by 33.19% year-on-year, mainly due to an decrease in project construction and purchase of equipment during the Reporting Period;

11. “Cash paid for investments” increased by 100.00% year-on-year, mainly due to an increase in external investment during the Reporting Period;

12. “Cash paid relating to other investment activities” decreased by 55.56% year-on-year, mainly due to decrease of tender bond paid during the Reporting Period;

13. “Cash received from investors” increased by 100.00% year-on-year, mainly due to an increase of capital fund received from non-controlling shareholders for the capital expansion of subsidiaries during the Reporting Period;

14. “Cash received from borrowings” increased by 89.64% year-on-year, mainly due to increase of new loans in Hong Kong dollars during the Reporting Period;

15. “Cash received from issue of financing bills” decreased by 100.00% year-on-year, mainly due to cash received from issue of financing bills during the same period last year;

16. “Cash repayments of borrowings” increased by 106.43% year-on-year, mainly due to an increase in repayment of borrowings during the Reporting Period;

17. “Cash paid for dividends, profit distributions or interest” increased by 291.47% year-on-year, mainly due to an increase of dividends paid by the subsidiaries to their non-controlling shareholders and an increase of interest paid during the Reporting Period;

18. “Effect of foreign exchange rate changes on cash and cash equivalents” increased by 263.08% year-on-year, mainly due to changes in foreign exchange rates resulting in exchange gains during the Reporting Period.

4.2.5 Liquidity and Financial Resources

The Group always maintains sufficient cash to finance its daily operations and to meet its obligations as and when they fall due. As at 30 June 2014, the Group’s cash at bank and on hand amounted to RMB757.16 million (31 December 2013: RMB761.04 million).

As at 30 June 2014, the Group's borrowings from banks amounted to RMB833.81 million (31 December 2013: 640.98 million), accounting for 11.67% of total assets (31 December 2013: 9.76%), of which short-term borrowings to mature within one year amounted to RMB684.71 million (31 December 2013: RMB491.08 million), accounting for 9.58% of total assets (31 December 2013: 7.48%) and long-term borrowings to mature after one year amounted to RMB149.10 million (31 December 2013: RMB149.90 million), accounting for 2.09% of total assets (31 December 2013: 2.28%). Repayments of borrowings denominated in RMB and borrowings denominated in Hong Kong dollars during the Reporting Period amounted to RMB100 million and HK$236 million, respectively.

The Group's gearing ratio is calculated by dividing the Group's total liabilities by its total assets. The gearing ratio of the Group increased from 45.10% as at 31 December 2013 to 45.87% as at 30 June 2014, which was mainly due an increase of the Group's short term borrowings.

4.2.6 Capital Structure

The Group's capital comprises shareholders' equity and liabilities. As at 30 June 2014, the shareholders' equity amounted to RMB3,867.46 million, the total liabilities amounted to RMB3,277.57 million and total assets amounted to RMB7,145.02 million. Among which, the current liabilities of the Group amounted to RMB2,651.55 million (31 December 2013: RMB2,329.68 million), which increased by 13.82% from the end of previous year; the long term liabilities amounted to RMB626.02 million (31 December 2013: RMB631.81 million), which decreased by 0.92% from the end of previous year. During the Reporting Period, the Group had repaid liabilities of RMB287.76 million (30 June 2013: RMB139.40 million).

Equity attributable to the shareholders of the Company amounted to RMB3,484.69 million (31 December 2013: RMB3,344.65 million), which increased by 4.19% from the end of previous year. Minority interests of the Group amounted to RMB382.77 million (31 December 2013: RMB259.87 million), which increased by 47.29% from the end of previous year.

As at 30 June 2014, the Group's contracted capital commitments in relation to the purchase of long-term assets amounted to RMB423.51 million (31 December 2013: RMB276.17 million).

Currency Structure

Item	At the end of the Reporting Period (30 June 2014)			At the end of last year (31 December 2013)		
	Foreign currency amount	Translation rate	Amount in RMB	Foreign currency amount	Translation rate	Amount in RMB
Cash on hand:						
– RMB	–	–	100,793.54	–	–	176,402.83
Bank deposits:			751,575,553.19			747,677,597.88
– RMB	–	–	708,422,136.95	–	–	694,716,070.22
– HK dollar	25,494,519.68	0.79375	20,236,275.00	39,298,550.07	0.78623	30,897,699.02
– U.S. dollar	2,422,610.22	6.1528	14,905,836.16	2,969,157.58	6.0969	18,102,656.85
– Japanese Yen	118,222,265.00	0.060815	7,189,687.05	47,462,411.00	0.057771	2,741,950.95
– Euro	97,874.59	8.3946	821,618.03	24,046.87	8.4189	202,448.19
– MOP	0.00	0.7784	0.00	1,339,974.50	0.7588	1,016,772.65
Other monetary fund on hand:			5,479,016.40			13,190,134.83
Total			757,155,363.13			761,044,135.54

4.2.7 Interest Expenses and Capitalisation

	Reporting Period *(RMB)*	Same period last year *(RMB)*
Interest expenses	**11,948,630.14**	4,046,904.86
Capitalised interest	**16,215,671.85**	19,626,284.20
Total interest expenses	**28,164,301.99**	23,673,189.06

4.2.8 Foreign Exchange Risks

The Company conducts its operation primarily in China. Substantially all of the transactions were denominated and settled in RMB. However, the Company still has certain imports and exports businesses on bulk medicines and diagnostic reagents and equipment, for which they are settled in U.S. dollar and Japanese Yen. The Company's businesses outside China (mainly in Hong Kong) are settled in Hong Kong dollars. In addition, the Company had loans denominated in Hong Kong dollars. At the end of the Reporting Period, the loan balances in Hong Kong dollars amounted to HK$547.6635 million. In respect of the above, the Company is still exposed to certain foreign exchange risks. Taking into account the foreign exchange risks acceptable by the Company, the Company does not use derivatives to hedge foreign exchange risks. However, as to the foreign exchange risk in loans, the Company shall closely monitor the trend on the exchange rate of RMB, and timely adjust the extent of borrowings, so as to reduce its risks to the minimum.

4.2.9 Contingent Liabilities

As at 30 June 2014, the Group had no significant contingent liabilities.

4.2.10 Pledge of Assets

As at 30 June 2014, the Group's pledged assets under restrictions were as follows:

	30 June 2014 *(RMB)*	**Reasons for restriction**
Assets pledged:		
Other cash fund	2,469,075.60	Deposits under guarantees for letters of credit
Other cash fund	666,130.73	Deposits for bank acceptance bills
Total	3,135,206.33	

4.2.11 Employees, Remuneration and Pension Scheme

The remuneration of the employees was determined by the Group mainly based on the State policies, the Company's economic performance and the compensation levels across the society. As at 30 June 2014, the Group had 5,047 staff (31 December 2013: 5,058 staff). During the Reporting Period, the total wages, bonuses, allowances, compensation, welfare and social insurance paid to the employees by the Group amounted to RMB245.69 million (31 December 2013: RMB374.31 million).

During the Reporting Period, there was no change in the employees remuneration policies and training programs. The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC Government. The Group is required to contribute to the retirement benefits scheme at a specified rate of the employees' salaries to fund the benefits. The sole obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme. There was no change in the details of the pension welfare.

4.2.12 Investments

On 15 April 2014, the Group's controlling subsidiary 珠海市麗珠單抗生物技術有限公司 ("**Livzon MAB**") entered into an "Epirus Biopharmaceuticals Inc. Series B Preferred Stock Purchase Agreement" with Epirus Biopharmaceuticals Inc. ("**Epirus**"), a biopharmaceutical company based in Boston, the United States, pursuant to which Livzon MAB invested US$15.00 million (equivalent to approximately RMB93.255 million) (accounting for approximately 2.79% of the Company's latest audited net assets attributable to shareholders of the Company of RMB3,344.6486 million) to subscribe for new 11.811 million Series B Preferred Stocks issued by Epirus. Upon the completion of subscription, Livzon MAB would hold approximately 15.22% of Epirus total shares.

On 16 July 2014, Epirus (NASDAQ: EPRS) was listed on NASDAQ in the United States. On the same date, Livzon MAB beneficially owned 1.566 million common stocks of Epirus, representing 12.14% of the total issued common stocks of Epirus).

Epirus is principally engaged in biopharmaceutical research and development, production and sales. Currently, it mainly focuses on the development and commercialisation of biosimilar monoclonal antibodies. The said investment can extend our reach to international partners for cooperation in biological drug R & D projects, which will not only foster the introduction of and collaboration on high-end technologies for the development of biological drugs, but also facilitate the enhancement of our research ability in biological drugs to a level which is comparable to the international standard. Given the limited investment amount, there is no significant impact on the Group's operating results for the Reporting Period.

4.3 Details of subsequent events with material impact on the Group

As at the date of the Results Announcement, the Company has no material or contingent events that are required to disclose.

4.4 Core competitiveness analysis

The Group's core competitiveness is primarily reflected in the following aspects:

1. A diversified product mix. The Group's products include drug preparation products, bulk medicines and intermediates as well as diagnostic reagents and equipment. Its main products include Shengqi Fuzheng Injection（參芪扶正注射液）, Ilaprazole Enteric-Coated Tablets（艾普拉唑腸溶片）, Anti-viral Granules（抗病毒顆粒）, Urofollitropin for Injection（注射用尿促卵泡素）etc., covering gastrointestinal, anti-microbial medicine, mental, reproductive and neurological areas. The diversified product structure allows the Group to effectively maintain stable financial results and meet challenges from the market;

2. A matured marketing network. The Group has a marketing team consists of over 4,000 elite sales personnel, as well as a nationwide marketing network and a sound marketing structure;

3. Strong research and development capability. The Group always attaches great importance to scientific research and innovation, continues to invest in scientific research and emphasise on the research and development of new products and technologies. The Group has a well established research and development team for products such as biological drug preparation, chemical drug and traditional Chinese medicine products.

4.5 Prospects

4.5.1 China's pharmaceutical industry development outlook in the second half of 2014

After the promulgation of The 12th Five Year Plan for Pharmaceutical Industry (《醫藥工業「十二五」發展規則》) and The 12th Five Year Plan Regulations on National Drug Safety (《國家藥品安全「十二五」規則》), pharmaceutical industry has been on a sustainable and steady development. At present, domestic players in the industry have already begun exploring the field of new drug research and development, and it is expected that they will make significant breakthrough during the period of the 12th Five Year Plan. However, as a result of the impact of medical reform policies, the new regulatory measures of China Food and Drug Administration on drugs, and a series of new policies issued by the National Development and Reform Commission and the National Health and Family Planning Commission, pharmaceutical industry will face greater challenges.

4.5.2 Embracing forthcoming changes in the second half of 2014

Looking ahead, competition in pharmaceutical market will continue to be intense in the second half of 2014. The promulgation of The 12th Five Year Plan for Pharmaceutical Industry (《醫藥工業「十二五」發展規則》) and The 12th Five Year Plan Regulations on National Drug Safety (《國家藥品安全「十二五」規則》) provokes challenges as well as opportunities to pharmaceutical industry. Meanwhile, the competent government departments' support and measures which encourage pharmaceutical companies to strengthen their business model may bring a golden age for the development of pharmaceutical industry in China in the coming decade. In the second half of 2014, the Company will seize those opportunities and continue to deepen its reform in marketing and sales and team building, so as to proactively meet the challenges ahead. Efforts will be made on quality control and cost control. Scientific research and development will be further promoted. To ensure continuous performance growth, the Group's management will be optimised.

4.5.3 Strategic outlook of the Company

As a thriving sector, pharmaceutical industry has an enormous bright future. Aging population, urbanisation, health awareness, etc. are favorable factors for the development of pharmaceutical industry, while development of biological science and technology also has guaranteed the innovation of medicine and accelerated the progress in research and development. In the future, the Company will continue to build up its strong foundation by focusing on scientific research and product quality and implement marketing reform to expand its sales team and network, so as to keep on improving its financial performance. At the same time, the Company will integrate the resources for bulk medicines business of the Group as and when appropriate to strengthen the research and development in biological area and relevant cooperation, as well as to optimise management of the Company, with the aim to achieve its strategic development goals.

In order to achieve the Company's strategic goals, the working plans for the second half of 2014 are as below:

(1) To ensure performance growth by deepening the marketing reform and expanding sales

In the second half of 2014, our marketing department shall pay close attention to the national policy changes for pharmaceutical industry and carry out various timely measures to minimise risk exposure. All marketing measures and plans set by the Group shall be effectively implemented. Assessment and supervision on our marketing units of all levels shall continue to be strengthened. More efforts shall be made on building of marketing teams and our distribution network shall be consolidated and expanded.

Specific measures include: (i) Continue to recruit sales personnel to expand the marketing teams, and to strengthen supervision on external sales personnel; broaden recruitment channels and minimise vacancies in sales function; (ii) Establish new job responsibilities and quantitative assessment indicators, apply reward and punishment program to establish and form strong teams. Assessment direction shall be adjusted to make us more service-oriented, foster team spirit and facilitate sales reform; (iii) Make good use of market resources by vigorously promoting scale production, setting role models, allocating resources with priority to units and regions with economies of scale and vigorously assisting those units and regions; (iv) Strengthen the collaboration with the key costomers; and (v) For providing high-quality internal strategic research and information analysis services to our sales and marketing divisions, the strategic marketing department will continue to invite data base suppliers to offer trainings to our employees, upgrading their information collection and data analysis capabilities.

(2) To develop biological research in a progressive manner

Scientific research and development is a long-term strategic task. In the second half of 2014, the research department shall proceed with all research project plans according to their schedules, and ensure those key research and development projects are implemented. The major focuses in the second half of the year include: research on and develop new products, nurture the development of key products and continue in-depth research on potential products; organise and complete a series of re-assessment research for injection drugs after their launch such as economic research, safety research and material formation tests, and systematically carry out the planned research on Anti-viral Granules and Bazheng Capsules traditional Chinese medicines; commence the experimental tasks for rotavirus vaccine projects in accordance with the determined research direction; strengthen the recruitment of talented people and introduce advanced technologies; vigorously develop scientific research in the field of biomedicine.

(3) To focus on production management, ensure quality and control costs

In the second half of 2014, all production subsidiaries of the Company shall continue to ensure product quality. At the same time, measures shall be taken to further strengthen cost control, and facilitate the communication and connection between production and sales units. The major tasks in the second half of the year are as follows: (i) Continue to uphold strict requirement for quality management to ensure product quality. Our production subsidiaries shall strengthen the effectiveness of quality control measures on daily production. They shall organise quality assessement on each product material, production process, production line, critical production procedure. Processes or steps prone to errors shall be identified for setting up control measures and enhancement of risk management. Further effective checks on outputs shall be undertaken to standardise and upgrade our product quality and avoid any occurrences of unfavorable incidents; (ii) Strengthen cost control management to reduce production costs. Through continuous process optimisation, technology improvements, implementation of cost-saving measures, incentive and assessment program, etc., we shall achieve effective cost control, cost reduction as well as ensure quality products; (iii) Undertake an excellent communication and connection between production and sales units. Every production division should strengthen connection with the sales department. They should accept reasonable schedules, perform regular and comprehensive maintenance and checks and practice self-assertion to ensure smooth production and timely delivery. (iv) Strengthen accountability in production safety and environmental protection work, strictly monitor production safety, and eliminate potential environmental hazards. All production subsidiaries should continue to carry out EHS (Environment, Health, Safety) management system and deepen its foundation, making sure that no material safety and environmental incidents will occur.

(4) To strengthen management functions and enhance internal control standard

In the second half of 2014, with respect to our internal management functions, the Group will continue to strengthen the internal service functions such as administration, human resources, finance, information etc. (i) We will do a fabulous task in administration service and logistics to realise a smooth relocation of our headquarters in Zhuhai. The Company will strenuously attempt to gradually establish an effective management model of the overall administration and logistics service system of the Group. (ii) We will strengthen our human resource management, gradually implement our personnel succession planning and run a reasonable officer training and promotion mechanism so as to enhance employees' sense of belonging and pride of the Company and stimulate their enthusiasm. Furthermore, we will improve the training system for our employees, develop and improve relevant training schemes, and successively optimise improve pre-job training, continuing professional education and management personnel training systems. (iii) We will continue to improve the comprehensive information management system. Human resource management projects will be implemented; we will optimise core business system functions (including ERP, CRM, etc.) by streamlining the operation of the system and extending our business coverage; we will continue to develop sales and financial BI (Business Intelligence) reporting platform and complete optimisation of business data analysis operations to improve employee productivity and enhance scientific decision-making mechanism of the management. (iv) The Company will continue to strengthen its internal control system, make efforts on the formation of a self-examination and rectification mechanism, and hire external agencies to audit the Company's internal control measures to ensure its compliance with the relevant requirements, so as to further upgrade its corporate governance.

5 FINANCIAL REPORT

5.1 Contents, Correct Amounts, Reasons and Effects of Material Accounting Errors

☐ Applicable ✓ Not Applicable

5.2 Detailed Description on Changes of Consolidation Scope in the Reporting Period

☐ Applicable ✓ Not Applicable

5.3 Explanation of the Board and the Supervisory Committee on the Accounting Firm's "Non-standard Audit Report"

☐ Applicable ✓ Not Applicable

5.4 Disclosure of Comparative Balance Sheet, Income Statement, Cash Flow Statement, Segment Information and Notes to the Financing Statements

The financial statements and notes thereof are prepared according to the China Accounting Standards for Business Enterprises

5.4.1 Consolidated balance sheet

Amount denominated: RMB

Item	*Notes*	**30 June 2014**	31 December 2013
Current assets:			
Cash at bank and on hand		**757,155,363.13**	761,044,135.54
Financial assets held for trading		**10,565,247.12**	11,335,125.54
Bills receivables		**260,608,434.90**	271,431,749.11
Accounts receivables	*1*	**1,108,496,012.11**	1,053,350,426.59
Prepayments		**208,628,661.04**	202,437,865.84
Interest receivables			
Dividends receivables			
Other receivables		**56,615,414.49**	39,477,295.95
Inventories		**828,596,708.67**	641,649,965.85
Non-current assets due within one year		**–**	–
Other current assets		**–**	–
Total current assets		**3,230,665,841.46**	2,980,726,564.42
Non-current assets:			
Available-for-sale financial assets	*2*	**180,452,289.93**	92,294,668.60
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	*3*	**44,468,526.79**	41,511,757.45
Investment properties			
Fixed assets		**2,243,868,543.65**	1,976,910,773.96
Construction in progress		**1,022,037,573.66**	1,082,419,104.88
Construction supplies		**732,723.27**	481,529.20
Fixed assets to be disposed		**–**	–
Bearer biological assets		**–**	–
Oil and gas assets		**–**	–
Intangible assets		**257,246,061.84**	224,516,411.93
Development costs			
Goodwill		**103,040,497.85**	103,040,497.85
Long-term deferred expenses		**14,660,876.14**	13,914,408.10
Deferred tax assets		**47,851,983.38**	50,190,408.52
Other non-current assets		**–**	–
Total non-current assets		**3,914,359,076.51**	3,585,279,560.49
Total assets		**7,145,024,917.97**	6,566,006,124.91

5.4.1 Consolidated balance sheet (Continued)

Item	*Notes*	**30 June 2014**	31 December 2013
Current liabilities:			
Short-term loans	*4*	**684,707,900.18**	491,084,453.79
Financial liabilities held for trading			
Bills payables		**344,272,232.68**	375,775,891.08
Accounts payables	*5*	**555,987,672.07**	435,966,092.72
Receipts in advance		**49,915,524.83**	61,780,193.14
Employee benefits payables		**49,920,862.56**	90,493,756.24
Taxes payables		**39,509,141.54**	89,414,763.31
Interest payables		**10,880,671.21**	15,434,979.65
Dividends payables		**150,392,910.46**	2,531,984.46
Other payables		**765,558,473.22**	766,798,857.30
Non-current liabilities due within one year		**400,000.00**	400,000.00
Other current liabilities		**–**	–
Total current liabilities		**2,651,545,388.75**	2,329,680,971.69
Non-current liabilities:			
Long-term loans		**149,100,000.00**	149,900,000.00
Notes payables		**400,000,000.00**	400,000,000.00
Long-term payables		**–**	–
Special payables		**–**	–
Accrued liabilities		**–**	–
Deferred tax liabilities		**2,779,650.23**	2,834,136.62
Other non-current liabilities		**74,141,623.11**	79,071,532.72
Total non-current liabilities		**626,021,273.34**	631,805,669.34
Total liabilities		**3,277,566,662.09**	2,961,486,641.03
Shareholders' equity:			
Share capital		**295,721,852.00**	295,721,852.00
Capital reserve		**214,856,115.70**	218,364,428.76
Less: Treasury shares		**–**	–
Special reserve		**–**	–
Surplus reserve		**501,196,946.97**	501,196,946.97
General risks provision		**–**	–
Retained earnings	*6*	**2,495,185,489.09**	2,352,112,358.31
Translation differences of financial statements denominated in foreign currency		**-22,271,712.37**	-22,747,009.55
Total equity attributable to shareholders of the parent company		**3,484,688,691.39**	3,344,648,576.49
Non-controlling interests	*7*	**382,769,564.49**	259,870,907.39
Total shareholders' equity		**3,867,458,255.88**	3,604,519,483.88
Total liabilities and shareholders' equity		**7,145,024,917.97**	6,566,006,124.91

5.4.2 Consolidated income statement

Amount denominated: RMB

Item	*Notes*	**January to June 2014**	January to June 2013
I. Total operating income		**2,628,474,326.38**	2,162,261,822.40
Including: Operating income	*8*	**2,628,474,326.38**	2,162,261,822.40
II. Total operating costs		**2,289,400,412.21**	1,855,583,225.56
Including: Operating costs	*8*	**998,038,593.18**	808,839,135.50
Business taxes and surcharges	*9*	**31,569,095.82**	27,219,270.08
Selling expenses		**1,021,013,816.96**	825,119,808.36
Administrative expenses		**191,937,465.62**	189,171,222.87
Financial expenses		**12,739,496.67**	-10,796,789.08
Impairment loss		**34,101,943.96**	16,030,577.83
Add: Gains from changes in fair value ("–" represents losses)		**-868,465.62**	-1,242,332.26
Investment income ("–" represents losses)		**6,664,307.02**	3,086,974.76
Including: Income from investment in associates and jointly controlled entities		**2,956,769.34**	1,708,850.99
III. Operating profit ("–" represents losses)		**344,869,755.57**	308,523,239.34
Add: Non-operating income	*10*	**23,405,956.79**	15,038,795.39
Less: Non-operating expenses		**1,058,512.60**	1,462,423.58
Including: Losses from disposal of non-current assets		**840,060.89**	4,620.05
IV. Profit before income tax ("–" represents losses)		**367,217,199.76**	322,099,611.15
Less: Income tax expenses	*11*	**56,080,132.00**	52,423,967.25
V. Net profit ("–" represents losses)		**311,137,067.76**	269,675,643.90
Net profit attributable to the shareholders of the parent company		**290,934,056.78**	259,310,414.64
Non-controlling interests		**20,203,010.98**	10,365,229.26
VI. Earnings per share:			
(1) Basic earnings per share	*12*	**0.98**	0.88
(2) Diluted earnings per share	*12*	**0.98**	0.88
VII. Other comprehensive income		**-3,010,861.87**	-2,050,147.10
VIII. Total comprehensive income		**308,126,205.89**	267,625,496.80
Total comprehensive income attributable to the shareholders of the parent company		**287,901,040.90**	257,265,409.40
Total comprehensive income attributable to non-controlling interests		**20,225,164.99**	10,360,087.40

5.4.3 Consolidated cash flow statement

Amount demoninated: RMB

Item	*Notes*	**January to June 2014**	January to June 2013
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		**2,733,562,348.93**	2,055,899,741.95
Refund of taxes		**15,426,719.13**	7,182,715.19
Cash received relating to other operating activities		**36,820,519.50**	78,591,439.75
Sub-total of cash inflows from operating activities		**2,785,809,587.56**	2,141,673,896.89
Cash paid for goods and services		**829,358,588.19**	561,014,418.82
Cash paid to and for employees		**225,434,597.41**	200,991,329.00
Cash paid for all types of taxes		**399,194,848.92**	332,093,491.05
Cash paid relating to other operating activities		**1,128,246,344.50**	861,743,634.48
Sub-total of cash outflows from operating activities		**2,582,234,379.02**	1,955,842,873.35
Net cash flows from operating activities		**203,575,208.54**	185,831,023.54
II. Cash flows from investing activities:			
Cash received from disposal of investments		**5,750,268.92**	46,832,558.60
Cash received from return on investments		**343,356.46**	528,338.99
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**2,793,129.60**	126,808.00
Cash received from disposal of subsidiaries and other operating entities		**–**	–
Cash received relating to other investing activities		**9,444,211.41**	–
Sub-total of cash inflows from investing activities		**18,330,966.39**	47,487,705.59
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**361,186,124.08**	540,643,798.72
Cash paid for acquisition of investments		**93,254,995.09**	–
Net cash paid for acquisition of subsidiaries and other operating entities		**–**	–
Cash paid relating to other investing activities		**2,400,000.00**	5,400,000.00
Sub-total of cash outflows from investing activities		**456,841,119.17**	546,043,798.72
Net cash flows from investing activities		**-438,510,152.78**	-498,556,093.13

5.4.3 Consolidated cash flow statement (Continued)

Item	*Notes*	**January to June 2014**	January to June 2013
III. Cash flows from financing activities:			
Cash received from investors		**98,000,000.00**	49,000,000.00
Including: Cash received from non-controlling shareholders of subsidiaries		**98,000,000.00**	49,000,000.00
Cash received from borrowings		**474,419,867.17**	250,169,855.44
Cash received from issue of financing bills		**–**	400,000,000.00
Cash received relating to other financing activities		**–**	–
Sub-total of cash inflows from financing activities		**572,419,867.17**	699,169,855.44
Cash repayments of borrowings		**287,764,480.88**	139,400,620.91
Cash paid for dividends, profit distributions or interest		**47,965,099.91**	12,252,709.65
Including: Dividends and profits paid to non-controlling shareholders of subsidiaries		**17,150,000.00**	–
Cash paid relating to other financing activities		**–**	–
Sub-total of cash outflows from financing activities		**335,729,580.79**	151,653,330.56
Net cash flows from financing activities		**236,690,286.38**	547,516,524.88
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**1,336,081.35**	-819,287.90
V. Net increase in cash and cash equivalents		**3,091,423.49**	233,972,167.39
Add: Cash and cash equivalents at the beginning of the period		**750,928,733.31**	1,178,636,300.52
VI. Cash and cash equivalents at the end of the period		**754,020,156.80**	1,412,608,467.91

5.4.4 Segmental Information

The Group operates a single operating segment in the PRC, i.e. pharmaceutical manufacturing. Accordingly, no operating segmental information of the Group is presented.

5.4.5 Notes to Financial Statements

The notes to financial statements form an integral part of these financial statements. In the notes to the financial statements set out below, unless indicated otherwise, amounts are denominated in RMB, the "current period" means the six month period from 1 January to 30 June 2014, the "previous period" means the six month period from 1 January to 30 June 2013, the "end of the period" means 30 June 2014 and the "beginning of the period" means 31 December 2013.

1. Accounts receivables

(1) Accounts receivables presented by types

Type	**At the end of the period**			
	Gross amount		**Provision for bad debts**	
	Amount	Percentage *(%)*	Amount	Percentage *(%)*
Accounts receivables that are individually significant and impairment provided on an individual basis	**0.00**	**0.00**	**0.00**	**0.00**
Accounts receivables assessed for impairment collectively	**1,172,559,527.89**	**99.95**	**64,063,515.78**	**5.46**
Accounts receivables that are individually insignificant but impairment provided on an individual basis	**566,871.41**	**0.05**	**566,871.41**	**100.00**
Total	**1,173,126,399.30**	**100.00**	**64,630,387.19**	**5.51**

Type	**At the beginning of the period**			
	Gross amount		**Provision for bad debts**	
	Amount	Percentage *(%)*	Amount	Percentage *(%)*
Accounts receivables that are individually significant and impairment provided on an individual basis	0.00	0.00	0.00	0.00
Accounts receivables assessed for impairment collectively	1,114,248,231.30	99.95	60,897,804.71	5.47
Accounts receivables that are individually insignificant but impairment provided on an individual basis	566,871.41	0.05	566,871.41	100.00
Total	1,114,815,102.71	100.00	61,464,676.12	5.51

According to the credit policies of the Company, the Company usually grants a credit period ranging from 30 to 90 days to its customers.

(2) The ageing analysis of accounts receivables (based on dates of recognition of accounts receivables)

Item	At the end of the period		At the beginning of the period	
	Amount	Percentage (%)	Amount	Percentage (%)
1 to 90 days	**951,918,813.14**	**81.14**	915,319,753.14	82.11
91 to 180 days	**125,032,462.36**	**10.66**	118,197,408.04	10.60
181 days to 1 year	**54,205,467.88**	**4.62**	42,671,189.41	3.83
1 to 2 years	**30,335,689.40**	**2.59**	28,363,181.65	2.54
2 to 3 years	**5,986,037.21**	**0.51**	4,774,679.92	0.43
3 to 4 years	**1,748,524.99**	**0.15**	1,419,854.38	0.13
4 to 5 years	**810,736.10**	**0.07**	988,105.44	0.09
Over 5 years	**3,088,668.22**	**0.26**	3,080,930.73	0.27
Total	**1,173,126,399.30**	**100.00**	1,114,815,102.71	100.00

2. *Available-for-sale financial assets*

(1) Available-for-sale financial assets at fair value

Item	Fair value at the end of the period	Fair value at the beginning of the period
Available-for-sale equity instruments	**4,944,186.00**	10,041,559.76
Of which: Shares	**4,944,186.00**	10,041,559.76

Available-for-sale equity instruments held by the Company were listed and traded on Shanghai Stock Exchange and Shenzhen Stock Exchange, the fair value of which was determined by the closing price on the last day of dealings in the Reporting Period.

(2) Available-for-sale financial assets at cost

Item	As at the end of the period	At the beginning of the period
Cost of available-for-sale equity instruments	**196,108,103.93**	102,853,108.84
Less: Provision for impairment	**20,600,000.00**	20,600,000.00
Total	**175,508,103.93**	82,253,108.84

Equity investments that are not quoted in an active market as at 30 June 2014 and their fair value cannot be reliably measured are measured at cost. The Company does not have any plan for disposal of such equity investments in the foreseeable future. Details of equity instruments measured at cost as at 30 June 2014 are as follows:

Name of investee	Accounting method	Investment cost	At the beginning of the period	Changes	As at the end of the period
Guangdong Development Bank Co., Ltd. (廣發銀行股份有限公司)	Cost method	177,348.84	177,348.84	0.00	**177,348.84**
Beijing Medical Supplies Joint Operating Corporation (北京醫藥物資聯合經營公司)	Cost method	100,000.00	100,000.00	0.00	**100,000.00**
Doumen Sanzhou Industrial City Co., Ltd. (斗門三洲工業城股份有限公司)	Cost method	500,000.00	500,000.00	0.00	**500,000.00**
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	Cost method	95,325,760.00	95,325,760.00	0.00	**95,325,760.00**
Ruiheng Medical Technology Investment Co., Ltd. (瑞恒醫藥科技投資有限責任公司)	Cost method	6,250,000.00	6,250,000.00	0.00	**6,250,000.00**
Shanghai Haixin Pharmaceutical Co., Ltd. (上海海欣醫藥有限公司)	Cost method	500,000.00	500,000.00	0.00	**500,000.00**
EPIRUS BIOPHARMACEUTICALS, INC.	Cost method	93,254,995.09	0.00	93,254,995.09	**93,254,995.09**
Total		196,108,103.93	102,853,108.84	93,254,995.09	**196,108,103.93**

Name of investee	Percentage of shareholding in the investee (%)	Proportion of voting right in the investee (%)	Description for the differences in percentage of shareholding and proportion of voting rights in the investee	Provision for impairment	Provision for impairment for the year	Cash dividend for the year
Guangdong Development Bank Co., Ltd. (廣發銀行股份有限公司)	0.0004	0.0004	–	0.00	0.00	0.00
Beijing Medical Supplies Joint Operating Corporation (北京醫藥物資聯合經營公司)	0.821	0.821	–	100,000.00	0.00	0.00
Doumen Sanzhou Industrial City Co., Ltd. (斗門三洲工業城股份有限公司)	1.60	1.60	–	500,000.00	0.00	0.00
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	1.5065	1.5065	–	20,000,000.00	0.00	0.00
Ruiheng Medical Technology Investment Co., Ltd. (瑞恒醫藥科技投資有限責任公司)	5.681	5.681	–	0.00	0.00	0.00
Shanghai Haixin Pharmaceutical Co., Ltd. (上海海欣醫藥有限公司)	4.55	4.55	–	0.00	0.00	97,825.00
EPIRUS BIOPHARMACEUTICALS, INC.	15.22	15.22	–	0.00	0.00	0.00
Total				20,600,000.00	0.00	97,825.00

(3) Breakdown of provision for impairment of available-for-sale financial assets

Item	At the beginning of the period	Additions for the current period	Disposal for the current period	As at the end of the period	Reason for provision made
Doumen Sanzhou Industrial City Co., Ltd. (斗門三洲工業城股份有限公司)	500,000.00	0.00	0.00	**500,000.00**	Net asset less than zero
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	20,000,000.00	0.00	0.00	**20,000,000.00**	Loss-making
Beijing Medical Supplies Joint Operating Corporation (北京醫藥物資聯合經營公司)	100,000.00	0.00	0.00	**100,000.00**	Business registration revoked
Total	20,600,000.00	0.00	0.00	**20,600,000.00**	

(4) Status of long-term debt investments in available-for-sale financial assets

Nil

3. Long-term equity investments

(1) Classification of long-term equity investments

Item	At the beginning of the period	Additions for the current period	Disposal for the current period	As at the end of the period
Investments in associates	42,711,757.45	2,956,769.34	0.00	**45,668,526.79**
Less: Long-term equity investments provision for impairment	1,200,000.00	0.00	0.00	**1,200,000.00**
Total	41,511,757.45	2,956,769.34	0.00	**44,468,526.79**

(2) Breakdown of long-term equity investments

Name of investee	Accounting method	Investment cost	At the beginning of the period	Changes	At the end of the period
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠醫用電子設備(廠)有限公司)	Equity method	1,200,000.00	1,200,000.00	0.00	**1,200,000.00**
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (廣東藍寶製藥有限公司)	Equity method	11,227,540.45	36,836,117.18	2,935,837.08	**39,771,954.26**
Tongyikangshimei Chain (Shenzhen) Co., Ltd. (統一康是美商業連鎖(深圳)有限公司)	Equity method	35,000,000.00	4,675,640.27	20,932.26	**4,696,572.53**
Total		47,427,540.45	42,711,757.45	2,956,769.34	**45,668,526.79**

Name of investee	Percentage of shareholding in the investee (%)	Proportion of voting right in the investee (%)	Description for the differences in percentage of shareholding and proportion of voting rights in the investee	Provision for impairment	Provision for impairment for the year	Cash dividend for the year
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠醫用電子設備(廠)有限公司)	28.00	28.00	–	1,200,000.00	0.00	0.00
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (廣東藍寶製藥有限公司)	35.91	35.91	–	0.00	0.00	0.00
Tongyikangshimei Chain (Shenzhen) Co., Ltd. (統一康是美商業連鎖(深圳)有限公司)	35.00	35.00	–	0.00	0.00	0.00
Total				1,200,000.00	0.00	0.00

(3) Status of restricted ability for transferring funds to investee

Nil

(4) Details of investment loss not recognised

Nil

(5) Investments in joint ventures and investments in associates

Name of investee	Type of entity	Place of incorporation	Legal representative	Nature of business	Registered capital	Shareholding held by the Company (%)	Proportion of voting right of the Company in the investee (%)
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (廣東藍寶製藥有限公司)	Limited liability (Sino-foreign joint venture)	Qingyuan	Tao Desheng (陶德勝)	Production and sales of bulk medicines	USD7,530,000	35.91	35.91
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠醫用電子設備(廠)有限公司)	Limited liability	Zhuhai	Xu Xiaoxian (徐孝先)	Cease of business	RMB3,620,000	28.00	28.00
Tongyikangshimei Chain(Shenzhen) Co., Ltd. (統一康是美商業連鎖(深圳)有限公司)	Limited liability	Shenzhen	Huang Qianli (黃千里)	Sales of goods	RMB100,000,000	35.00	35.00

Name of investee	Total assets at the end of the period	Total liabilities at the end of the period	Net assets at the end of the period	Total revenue for the current period	Net profit for the current period
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (廣東藍寶製藥有限公司)	116,718,024.54	12,739,059.11	103,978,965.43	48,256,227.12	7,675,391.12
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠醫用電子設備(廠)有限公司)	–	–	–	–	–
Tongyikangshimei Chain (Shenzhen) Co., Ltd. (統一康是美商業連鎖(深圳)有限公司)	14,857,536.08	1,438,757.41	13,418,778.67	5,135,367.24	59,806.46
Total	131,575,560.62	14,177,816.52	117,397,744.10	53,391,594.36	7,735,197.58

(6) Breakdown of provision for impairment of long-term equity investments

Item	At the beginning of the period	Additions for the current period	Disposal for the current period	As at the end of the period	Reason for provision made
Livzon Medical Electronic Equipment (Plant) Co., Ltd. （麗珠醫用電子設備（廠）有限公司）	1,200,000.00	0.00	0.00	**1,200,000.00**	Net asset less than zero
Total	1,200,000.00	0.00	0.00	**1,200,000.00**	

4. *Short-term loans*

(1) Classification of short-term loans

Item	As at the end of the period	At the beginning of the period
Loans on credit	**362,818,462.68**	362,142,733.79
Guarantee loans	**321,889,437.50**	128,941,720.00
Total	**684,707,900.18**	491,084,453.79

Notes to classifications of short-term loans

Guarantee loans: The Company provided guarantee for a loan of HK$405,530,000 granted to its subsidiary, Livzon Group Livzon Pharmaceutical Factory（麗珠集團麗珠製藥廠）for the current period.

(2) There was no short-term loans due that were unpaid in the closing balance.

5. Accounts payables

(1) Breakdown of accounts payables (an ageing analysis is based on dates of recognition of account payables)

Item	**As at the end of the period**	**At the beginning of the period**
1 to 90 days	**376,481,708.83**	332,078,144.46
91 to 180 days	**80,762,502.88**	22,789,943.67
181 days to 1 year	**57,576,791.75**	41,623,708.26
1 to 2 years	**27,250,510.24**	30,018,248.59
Over 2 years	**13,916,158.37**	9,456,047.74
Total	**555,987,672.07**	435,966,092.72

(2) Notes to large sum of accounts payables over one year

Name of creditors	**Amount**
Industrial Green Building Technology Co., Ltd. of Zhuhai (珠海興業綠色建築科技有限公司)	6,934,409.42
Jiangsu Jiu Wu Hi-Tech Company Limited (江蘇久吾高科技股份有限公司)	3,778,350.00
ABC Building Systems(China)Co.,Ltd (美建建築系統(中國)有限公司)	3,131,338.65
GEA PHARMA SYSTEMS AG	2,282,211.22
Total	16,126,309.29

(3) At the end of the period, status of the top 5 accounts payables

Name of unit	**Amount**	**Nature or description**	**Terms**	**Proportion of total accounts payables** (%)
Shanghai Techwell Biopharmaceutical Co., Ltd. (上海天偉生物製藥有限公司)	76,907,937.61	Sales of goods	Within 1 year	13.83
Jiaozuo Joincare Pharmaceutical Industry Group Co., Ltd. (焦作健康元生物製品有限公司)	74,755,500.56	Sales of goods	Within 1 year	13.45
Siping City Fine Chemicals Product Co. Ltd (四平市精細化學品有限公司)	24,422,318.80	Sales of goods	Within 1 year	4.39
Siemens Healthcare Diagnostics (Shanghai)Co. Ltd (西門子醫學診斷產品(上海)有限公司)	15,887,185.19	Sales of goods	Within 1 year	2.86
Jiangsu Yangzhou Jianggong Construction Group Co., Ltd. (江蘇揚州建工建設集團有限公司)	13,999,002.55	Equipment, project costs	Within 1 year	2.52
Total	205,971,944.71			37.05

(4) Accounts payables (including foreign currency balances) were as follows:

Item	**At the end of the period**			**At the beginning of the period**		
	Foreign currency amount	**Exchange rate**	**Translated to RMB**	**Foreign currency amount**	**Exchange rate**	**Translated to RMB**
U.S. dollar	**27,006.95**	**6.1528**	**166,168.36**	399,298.05	6.0969	2,434,480.31
UK pound sterling	**217,399.00**	**10.4978**	**2,282,211.22**	0.00	9.4213	0.00
Total			**2,448,379.58**			2,434,480.31

6. Retained earnings

(1) Movement in retained earnings

Item	**Current period amount**	**Previous period amount**	**Allocation or appropriation proportion**
Retained earnings for the previous year before adjustment	**2,352,112,358.31**	2,023,348,842.58	
Add: Adjusted retained earnings at the beginning of the period	**0.00**	0.00	
Retained earnings at the beginning of the period after adjustment	**2,352,112,358.31**	2,023,348,842.58	
Add: Net earnings attributable to the shareholders of the parent company for the period	**290,934,056.78**	259,310,414.64	
Less: Appropriation to statutory surplus reserve	**0.00**	0.00	10%
Appropriation to discretionary surplus reserve	**0.00**	0.00	
Dividends payable to ordinary shares	**147,860,926.00**	147,860,926.00	
Dividends of ordinary shares capitalised	**0.00**	0.00	
Retained earnings at the end of the period	**2,495,185,489.09**	2,134,798,331.22	

Breakdown of adjustments to the retained earnings at the beginning of the period:

1 The effect of the retrospective adjustments arising from Accounting Standards for Business Enterprises and their new related requirements on the retained earnings at the beginning of the period amounted to RMB0.00.

2 The effect of changes in accounting policies on the retained earnings at the beginning of the period amounted to RMB0.00.

3 The effect of corrections of significant accounting errors on the retained earnings at the beginning of the period amounted to RMB0.00.

4 The effect of the change of the scope of combination under common control on the retained earnings at the beginning of the period amounted to RMB0.00.

5 The combined effect of other adjustments on the retained earnings at the beginning of the period amounted to RMB0.00.

(2) Notes to appropriation of profits

Amount denominated: RMB'000

Item	**Current period amount**	**Previous period amount**
Dividends:		
Final dividends in respect of the year 2012 paid during the year	–	–
Dividends proposed after the balance sheet date:		
Final dividends proposed for the year 2013 *(Note 1)*	**147,860.93**	–
Final dividends proposed for the year 2012 *(Note 2)*	–	147,860.93

Note 1: On 24 March 2014, the Company held the Twenty-eighth Meeting of the Seventh Session of the Board, which passed the resolution of 2013 annual profit distribution plan to declare a cash dividend of RMB147,860,930 (RMB0.5 per share (tax inclusive)) to all shareholders based on the total number of 295,721,852 shares of the Company at the end of that reporting period. Such profit distribution plan was approved at the 2013 annual general meeting on 30 June 2014 and the dividends were paid to shareholders subsequent to the Reporting Period.

Note 2: On 7 March 2013, the Company held the Fifteenth Meeting of the Seventh Session of the Board, which passed the resolution of 2012 annual profit distribution plan to declare a cash dividend of RMB147,860,930 (RMB0.5 per share (tax inclusive)) to all shareholders based on the total number of 295,721,852 shares of the Company at the end of that reporting period. Such profit distribution plan was approved in the shareholders' meeting on 21 June 2013 and the dividends were paid to shareholders in July 2013.

7. *Non-controlling interests*

Name of company	At the beginning of the period	Change in the period					As at the end of the period
	Non-controlling interests	Net profit of subsidiary	Shareholding percentage of non-controlling shareholders	Profit or Loss attributable to non-controlling shareholders	Share dividend paid	Other changes	Non-controlling interests
Zhuhai Livzon Diagnostic Reagents Inc. (珠海麗珠試劑股份有限公司)	117,657,199.67	37,683,546.53	49.00%	18,478,315.63	-12,250,000.00	22,154.01	**123,907,669.31**
Companhia de Macau Carason Limitada (澳門嘉安信有限公司)	766,214.69	284,788.78	49.00%	139,546.50	0.00	0.00	**905,761.19**
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	17,637,659.57	17,575,092.28	7.86%	1,381,402.25	0.00	0.00	**19,019,061.82**
Datong Livzon Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司)	141,163.34	-318,851.44	7.50%	-23,913.86	0.00	0.00	**117,249.48**
Zhuhai Baiameng Biological Materials Co., Ltd. (珠海麗珠－拜阿蒙生物材料有限公司)	1,111,467.95	0.00	18.00%	0.00	0.00	0.00	**1,111,467.95**
珠海市麗珠單抗生物技術有限公司	81,879,578.47	-18,157,732.50	49.00%	-8,897,288.93	0.00	98,000,000.00	**170,982,289.54**
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	4,157,939.13	-5,959,793.91	16.15%	-962,506.72	0.00	0.00	**3,195,432.41**
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	20,967,668.89	21,331,769.77	49.00%	10,452,567.19	0.00	21,823,492.11	**53,243,728.19**
Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技有限公司)	2,357,509.63	-7,689.35	61.75%	-1,922.34	0.00	0.00	**2,355,587.29**
Wenshan Livzon Sanqi Plantation Co., Ltd. (文山麗珠三七種植有限公司)	13,194,506.05	-741,201.51	49.00%	-363,188.74	-4,900,000.00	0.00	**7,931,317.31**
Total	259,870,907.39	51,689,928.65		20,203,010.98	-17,150,000.00	119,845,646.12	**382,769,564.49**

Other increased figures are mainly derived from the capital injection of non-controlling shareholders in the Reporting Period.

8. *Operating income, operating cost*

(1) Operating income, operating cost

Item	Current period	Previous period
Income from principal activities	**2,558,352,095.45**	2,153,268,671.13
Income from non-principal activities	**70,122,230.93**	8,993,151.27
Operating income in aggregate	**2,628,474,326.38**	2,162,261,822.40
Cost of principal activities	**953,890,051.96**	800,165,299.71
Cost of non-principal activities	**44,148,541.22**	8,673,835.79
Operating cost in aggregate	**998,038,593.18**	808,839,135.50

(2) Principal activities (by products)

Name of products	Current period		Previous period	
	Operating income	Operating cost	Operating income	Operating cost
I. Drug preparation products				
1. Western drug preparation products	**1,020,404,325.31**	**249,746,874.57**	788,054,616.86	206,564,256.22
Of which: Gastrointestinal drugs	**202,699,817.49**	**22,266,882.78**	177,085,277.79	21,331,635.26
Cardio-cerebralvascular drugs	**79,388,702.57**	**18,412,900.56**	72,477,673.31	17,181,393.35
Antibiotic drugs (including imported drugs)	**168,020,368.07**	**39,490,245.60**	133,415,458.61	38,257,257.31
Gonadotropic hormones	**365,627,291.28**	**131,196,493.97**	270,853,274.68	93,290,769.53
Blood and hemopoietic system drugs	**18,218,972.20**	**14,933,798.69**	15,304,480.96	16,409,080.71
Others	**186,449,173.70**	**23,446,552.97**	118,918,451.51	20,094,120.06
2. Chinese drug preparation products	**827,214,672.39**	**178,135,374.05**	791,562,122.89	161,538,367.54
Sub-total of drug preparation products:	**1,847,618,997.70**	**427,882,248.62**	1,579,616,739.75	368,102,623.76
II. Bulk medicines and intermediates	**500,843,650.89**	**429,042,521.62**	397,815,396.77	349,888,612.78
III. Diagnostic reagents and equipment	**203,063,114.66**	**89,584,166.31**	175,836,534.61	82,174,063.17
IV. Others	**6,826,332.20**	**7,381,115.41**	0.00	0.00
Total	**2,558,352,095.45**	**953,890,051.96**	2,153,268,671.13	800,165,299.71

(3) Principal activities (by geographical regions)

Name of geographical regions	Current period		Previous period	
	Operating income	Operating cost	Operating income	Operating cost
Domestic	**2,345,697,364.51**	**780,953,500.47**	1,994,155,417.81	675,376,831.05
Overseas	**212,654,730.94**	**172,936,551.49**	159,113,253.32	124,788,468.66
Total	**2,558,352,095.45**	**953,890,051.96**	2,153,268,671.13	800,165,299.71

(4) Status of operating income from the top 5 customers

During the period	Operating income from the top 5 customers in aggregate	Percentage of operating income for the same period (%)
January to June, 2014	**197,199,361.08**	**7.50**
January to June, 2013	180,634,763.82	8.35

The Company operates in a single operating segment in the PRC, i.e. the manufacture of pharmaceuticals. Accordingly, no operating segment for geographical information of the Company is presented.

9. Business taxes and surcharges

Item	Current period	Previous period
Urban maintenance and construction tax payable	**16,955,978.82**	14,776,878.51
Education surcharges payable	**13,313,402.12**	11,355,712.40
Flood prevention fee payable	**1,268,770.42**	927,700.53
Business tax payable	**30,311.30**	41,666.43
Others	**633.16**	117,312.21
Total	**31,569,095.82**	27,219,270.08

10. Non-operating income

Item	Current period	Previous period	Recognised as extraordinary gains or losses for the period
Gains on disposal of non-current assets in aggregate	**345,418.08**	329,936.16	345,418.08
Of which: Gains on disposal of fixed assets	**345,418.08**	329,936.16	345,418.08
Income from scraps	**536,099.68**	143,243.13	536,099.68
Government grants	**22,037,802.08**	12,883,755.38	22,037,802.08
Compensation income	**141,231.80**	812,555.00	141,231.80
Waiver of payables	**0.00**	602,512.31	0.00
Others	**345,405.15**	266,793.41	345,405.15
Total	**23,405,956.79**	15,038,795.39	23,405,956.79

11. Income tax expenses

(1) Breakdown of income tax expenses

Item	Current period	Previous period
Current income tax calculated according to tax laws and relevant rules	**53,399,114.02**	52,634,810.70
Include: Income tax on domestic enterprises	**53,385,954.82**	52,580,418.33
Income tax on Hong Kong and Macau enterprises	**13,159.20**	54,392.37
Adjustment of deferred income tax	**2,681,017.98**	-210,843.45
Total	**56,080,132.00**	52,423,967.25

(2) The relationship between income tax expenses and total profit are as follows

Item	Current period	Previous period
Profit before tax	**367,217,199.76**	322,099,611.15
Income tax calculated at statutory tax rates	**91,804,299.94**	80,524,902.79
Tax effect of different rates applicable to subsidiaries	**453,853.76**	364,280.88
Effect of tax deduction	**-43,365,547.69**	-37,082,791.24
Effect of non-deductible expenses	**-2,288,103.22**	634,854.48
Credit (charge) on temporary differences on which deferred tax assets are not recognised for the year	**-1,849,653.77**	290,071.06
Deductible losses of deferred tax assets that are not recognised for the year	**12,213,194.55**	5,799,022.33
Use of deductible losses of deferred tax assets that are not recognised in the previous year	**-1,849,003.45**	-225,750.61
Others	**961,091.88**	2,119,377.56
Total	**56,080,132.00**	52,423,967.25

12. Basic earnings per share and diluted earnings per share

(1) The basic earnings per share and diluted earnings per share for each period are shown below

Profit for the period	Current period		Previous period	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of ordinary shares	**0.98**	**0.98**	0.88	0.88
Net profit attributable to shareholders of ordinary shares after extraordinary gains or losses	**0.92**	**0.92**	0.84	0.84

(2) The calculation of the basic earnings per share and diluted earnings per share

Item	Serial number	Current period	Previous period
Net profit attributable to shareholders of ordinary shares	A	**290,934,056.78**	259,310,414.64
Extraordinary gains or losses	B	**19,957,923.29**	10,929,243.30
Net profit attributable to shareholders of ordinary shares after extraordinary gains or losses	C=A-B	**270,976,133.49**	248,381,171.34
Total number of shares at the beginning of the period	D	**295,721,852**	295,721,852
Increases of shares due to transfer from capital reserve or share dividend during the Reporting Period	E	**0.00**	0.00
Increases of shares due to issue of new shares or conversion of debts into shares during the Reporting Period	F	**0.00**	0.00
Accumulated number of months with increase in number of shares from the next month of the increase to the end of the Reporting Period	G	**0.00**	0.00
Decreases of shares due to shares repurchase during the Reporting Period	H	**0.00**	0.00
Accumulated number of months with decrease in number of shares from the next month of the decrease to the end of the Reporting Period	I	**0.00**	0.00
Decreases of shares due to shares consolidation during the Reporting Period	J	**0.00**	0.00
Amount of months during the Reporting Period	K	**6**	6
Weighted average number of ordinary shares issued and outstanding	L=D+E+F*G/K-H*I/K-J	**295,721,852**	295,721,852
Basic earnings per share	M=A/L	**0.98**	0.88
Basic earnings per share after extraordinary gains or losses	N=C/L	**0.92**	0.84

During the Reporting Period, there was no potential dilutive ordinary shares. Therefore, diluted earnings per share equals to basic earnings per share.

13. Net current assets and total assets less current liabilities

1. Net current assets

Item	As at the end of the period	At the beginning of the period
Current assets	**3,230,665,841.46**	2,980,726,564.42
Less: Current liabilities	**2,651,545,388.75**	2,329,680,971.69
Net current assets	**579,120,452.71**	651,045,592.73

2. Total assets less current liabilities

Item	Amount at the end of the period	Amount at the beginning of the period
Total assets	**7,145,024,917.97**	6,566,006,124.91
Less: Current liabilities	**2,651,545,388.75**	2,329,680,971.69
Total assets less current liabilities	**4,493,479,529.22**	4,236,325,153.22

14. Depreciation and amortisation

Item	At the beginning of the period	Additions for the period	Disposal for the period	As at the end of the period
Accumulated depreciation	1,341,472,057.40	106,760,984.12	7,124,980.54	**1,441,108,060.98**
Accumulated amortisation	166,178,628.39	9,633,124.34	0.00	**175,811,752.73**

7 PURCHASE, SALE AND REDEMPTION OF SECURITIES

Throughout the period from the Company's H Shares being listed on the Main Board of the Hong Kong Stock Exchange on 16 January 2014 (the "**H Shares Listing Date**") to 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

8 COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company confirmed that the Company has strictly complied with all of the code provisions as set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("**Hong Kong Listing Rules**") throughout the period from the H Shares Listing Date to 30 June 2014.

9 COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules as its own code of conduct regarding the securities transactions by the Company's Directors and Supervisors. Having made specific enquiries to all of the Directors and Supervisors of the Company, the Company was not informed of any information which reasonably indicated that each of the Directors and Supervisors had not complied with the standards required by the above code throughout the period from the H Shares Listing Date to 30 June 2014. All Directors and Supervisors have confirmed that they had fully complied with the standards as set out in the above code and the code of conduct of the Company throughout the period from the H Shares Listing Date to 30 June 2014.

10 THE AUDIT COMMITTEE

Members of the Audit Committee of the Board of the Company are Mr. Xu Yanjun (Chairman of the Committee), Mr. Yang Bin and Mr. Guo Guoqing respectively. The Audit Committee reviewed the Group's results for the six months ended 30 June 2014.

11 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014. The Company did not pay any dividend during the six months ended 30 June 2013.

By order of the Board
麗珠醫藥集團股份有限公司
Livzon Pharmaceutical Group Inc. *
Zhu Baoguo
Chairman

Zhuhai, China
26 August 2014

At the date of this announcement, the Executive Directors of the Company are Mr. Tao Desheng (Vice Chairman and President) and Mr. Fu Daotian (Vice President); the Non-Executive Directors of the Company are Mr. Zhu Baoguo (Chairman), Mr. Qiu Qingfeng and Mr. Zhong Shan; and the Independent Non-Executive Directors of the Company are Mr. Xu Yanjun, Mr. Yang Bin, Mr. Guo Guoqing, Mr. Wang Xiaojun and Mr. Yu Xiong.

* *For identification purpose only*