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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)

## 2016 THIRD QUARTERLY REPORT

### SECTION I IMPORTANT NOTICE

The board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of 麗珠醫藥集團股份有限公司 Livzon Pharmaceutical Group Inc.\* (hereinafter referred to as the “**Company**”, together with its subsidiaries collectively, the “**Group**”) guarantee the truthfulness, accuracy and completeness of 2016 third quarterly report (hereinafter referred to as the “**Quarterly Report**”) which does not contain false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility for its contents.

All Directors of the Company attended the Board meeting to consider the Quarterly Report.

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 (primarily responsible for the accounting work) and Ms. Zhuang Jianying (莊健瑩女士), the person-in-charge of the accounting department (person-in-charge of accounting), declare that they guarantee the truthfulness, accuracy and completeness of the financial statements in the Quarterly Report.

Forward-looking statements included in this Quarterly Report, including future plans, do not constitute a substantive commitment to investors by the Company. Investors should be aware of such investment risks.

## SECTION II PRINCIPAL FINANCIAL DATA AND CHANGES IN SHAREHOLDERS

### I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

Whether the Company has made retrospective adjustment or restatement of accounting data of the prior years due to changes in accounting policies and corrections of accounting errors

YES  NO

	End of the reporting period	End of last year	End of the reporting period compared with the end of last year (+/-)
Total assets (RMB)	10,410,661,796.29	8,077,537,790.41	28.88%
Net assets attributable to shareholders of the listed company (RMB)	6,302,916,123.47	4,346,255,331.26	45.02%

	<b>Reporting period</b>	<b>Reporting period compared with the same period of last year (+/-)</b>	<b>Beginning of the year to the end of the reporting period</b>	<b>Beginning of the year to the end of the reporting period compared with the same period of last year (+/-)</b>
Operating income (RMB)	1,939,550,452.82	9.50%	5,723,850,111.45	17.13%
Net profit attributable to the shareholders of the listed company (RMB)	205,712,196.47	33.05%	614,774,019.87	24.08%
Net profit attributable to the shareholders of the listed company after deducting extraordinary gains or losses (RMB)	173,889,753.88	31.09%	537,731,621.52	27.97%
Net cash flow from operating activities (RMB)	–	–	883,128,020.10	54.64%
Basic earnings per share (RMB/share)	0.53	35.90%	1.57	23.62%
Diluted earnings per share (RMB/share)	0.53	35.90%	1.57	23.62%
Weighted average return on net assets	4.31%	An increase of 0.73 percentage point	13.25%	An increase of 0.68 percentage point

Total share capital of the Company as of the trading day preceding the date of publication of this Quarterly Report:

Total share capital of the Company as of the trading day preceding the date of publication of this Quarterly Report (shares)	425,730,126
Fully diluted earnings per share based on the latest share capital (RMB/share)	1.44

***Items and amounts of extraordinary gains or losses***

✓ Applicable    □ Not applicable

Unit: RMB

<b>Item</b>	<b>From beginning of the year to the end of the reporting period</b>	<b>Description</b>
Profit or loss from disposal of non-current assets (including writing-off of accrued impairment provision of assets)	6,474,587.83	
Government grants included in the current profits or losses (except for Government grants closely related to the corporate business and entitled according to the national standards on a fixed amount or fixed volume basis)	92,745,251.57	
Gains/losses on fair value change of held-for-trading financial assets and liabilities, and investment gain from disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets (excluding effective hedging instruments relating to the ordinary business of the Company)	-827,014.32	
Other non-operating income and expenses in addition to the above	-2,024,716.12	
Less: Effect on income tax	13,623,856.38	
Effect on non-controlling interests (after tax)	5,701,854.23	
Total	77,042,398.35	–

For items of extraordinary gains or losses defined in “Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 – Extraordinary Gains or Losses”, and items of extraordinary gains or losses illustrated in “Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1– Extraordinary Gains or Losses” defined as items of recurring gains or losses, the Company shall provide the reasons

Applicable  Not applicable

During the reporting period, the Company has not defined any extraordinary gains or losses as defined and illustrated in the “Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 – Extraordinary Gains or Losses” as recurring gains and losses.

## II. TOTAL NUMBER OF SHAREHOLDERS AND INFORMATION ON SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD

### 1. Number of ordinary shareholders and preferential shareholders with voting rights resumed and information on shareholdings of the top ten shareholders

Unit: Share

Total number of ordinary shareholders as at the end of the reporting period	14,946 holders (14,941 A shareholders and 5 H shareholders) <sup>Note 1</sup>	Total number of preferential shareholders with voting rights resumed at the end of the reporting period (if any)	0
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#### INFORMATION ON SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS

Name of shareholder	Nature of shareholder	Percentage of shares held	Number of shares held	Number of restricted shares held	Pledged or locked-up status	
					Status of shares	Quantity
HKSCC Nominees Limited <sup>Note 2</sup>	Foreign legal person	34.20%	145,588,070	16,250,000 <sup>Note 2</sup>	Pledged	16,250,000 <sup>Note 2</sup>
Joincare Pharmaceutical Industry Group Co., Ltd.	Domestic non-state owned legal person	23.67%	100,763,218	–	–	–
Penghua Asset Management-SPDB-Hwabao Trust – Hwabao-Kang Sheng Tian Tian Xiang Shang Assembled Funds Trust Scheme <sup>Note 3</sup>	Others	3.50%	14,900,000	14,900,000	–	–
Guangzhou Begol Trading Corporation	State owned legal person	1.85%	7,877,256	7,877,256	Pledged and locked up	7,877,256
Shenzhen Haibin Pharmaceutical Co., Ltd.	Domestic non-state owned legal person	1.80%	7,660,826	–	–	–
Everbright Securities Co. Ltd.	Domestic non-state owned legal person	1.46%	6,234,980	–	–	–
Central Huijin Investment Company Limited	State owned legal person	1.29%	5,487,820	–	–	–
National Social Security Fund 113 <sup>Note 3</sup>	Others	1.18%	5,032,230	1,700,000	–	–
China Securities Finance Corporation Limited	Domestic non-state owned legal person	1.12%	4,760,705	–	–	–
China Huarong Asset Management Co., Ltd. <sup>Note 3</sup>	State owned legal person	0.92%	3,900,000	3,900,000	–	–

**Shareholdings of top ten Shareholders without selling restrictions**

<b>Name of shareholder</b>	<b>Number of shares held without selling restriction</b>	<b>Category of shares</b>	<b>Number</b>
HKSCC Nominees Limited	129,338,070	Overseas listed foreign shares	129,338,370
Joincare Pharmaceutical Industry Group Co., Ltd.	100,763,218	Ordinary shares denominated in Renminbi	100,763,218
Shenzhen Haibin Pharmaceutical Co., Ltd	7,660,826	Ordinary shares denominated in Renminbi	7,660,826
Everbright Securities Co. Ltd.	6,234,980	Ordinary shares denominated in Renminbi	6,234,980
Central Huijin Investment Company Limited	5,487,820	Ordinary shares denominated in Renminbi	5,487,820
National Social Security Fund 113	3,332,230	Ordinary shares denominated in Renminbi	3,332,230
China Securities Finance Corporation Limited	4,760,705	Ordinary shares denominated in Renminbi	4,760,705
Bank of China Limited – Castrol healthcare equity securities investment fund	2,362,330	Ordinary shares denominated in Renminbi	2,362,330
National Social Security Fund 403	2,354,658	Ordinary shares denominated in Renminbi	2,354,658
Agricultural Bank of China – Greatwall Anxin Return Mixed Type Securities Investment Fund	2,199,940	Ordinary shares denominated in Renminbi	2,199,940

**Shareholdings of top ten Shareholders without selling restrictions**

<b>Name of shareholder</b>	<b>Number of shares held without selling restriction</b>	<b>Category of shares</b>	<b>Number</b>
Description on connected relationship or concert in actions among the above shareholders	(1) On 2 January 2004, Joicare and Guangzhou Begol Trading Corporation (“Begol”) entered into a share transfer and custody agreement and a share pledge agreement, pursuant to which the 6,059,428 domestic legal person shares of the Company (the number of shares was increased to 7,877,256 shares after the Company’s implementation of 2014 Equity Distribution) held by Begol were directly transferred to, entrusted with and pledged to Joicare; (2) Shenzhen Haibin Pharmaceutical Co., Ltd. is a subsidiary controlled by Joicare which directly and indirectly holds 100% interest in it; (3) both National Social Security Fund 113 and National Social Security Fund 403 belong to the National Social Security Fund; (4) the Company is not aware of any connected relationship between the other abovementioned shareholders or whether they are persons acting in-concert under the provisions of the Administration Procedures of the Takeover of Listed Companies.		
Description of the top ten ordinary shareholders involved in the margin financing and securities lending business (if any)	Not applicable		

*Note:*

1. Total number of H shareholders is calculated based on the record of Tricor Investor Services Limited, the H Share registrar of the Company.
2. HKSCC Nominees Limited is the nominal holder of H Shares of the Company, whose shares held include 65,858,067 H Shares of the Company owned by Topsino Industries Limited (天誠實業有限公司), which is a wholly-owned subsidiary of Joincare, the Company's controlling shareholder (Topsino has entered into a share pledge agreement with Nanyang Commercial Bank to pledge its 16,000,000 H Shares of the Company (the number of shares was increased to 20,800,000 shares after the Company's implementation of 2014 Equity Distribution) to Nanyang Commercial Bank. The effective date of the pledge is 11 June 2014). On 19 September 2016, the Company was informed by Topsino of the release of its 4,550,000 H shares of the Company pledged to Nanyang Commercial Bank.
3. Each of Penghua Asset Management-SPDB-Hwabao Trust – Hwabao-Kang Sheng Tian Tian Xiang Shang Assembled Funds Trust Scheme, National Social Security Fund 113 and China Huarong Asset Management Co., Ltd. are allottees of the Company's non-public issuance of A shares, with allotted non-public A shares of the Company of 14,900,000, 1,700,000 and 3,900,000 shares respectively. On 19 September 2016, the Company completed the non-public issuance. The shares subscribed by allottees cannot be transferred within 12 months from the listing date of the new shares, and the estimated circulation date of the listed new shares shall be 20 September 2017 (to be postponed accordingly if not a trading day).

Whether any of the top ten ordinary shareholders and the top ten non-restricted ordinary shareholders of the Company conducted any transactions on agreed repurchases during the reporting period

YES  NO

During the reporting period, the top ten ordinary shareholders and the top ten non-restricted ordinary shareholders of the Company have not conducted any transactions on agreed repurchases.

**2. *Total number of preferential shareholders and information on shareholdings of the top ten preferential shareholders of the Company***

Applicable  Not applicable

As at the end of the reporting period, there is no preferential shareholder of the Company.



## SECTION III IMPORTANT EVENTS

### I. Information on and reasons for changes in major accounting items and financial indicators during the reporting period

✓ Applicable  Not applicable

#### 1. Substantial Changes of Items in the Consolidated Balance Sheet and Reasons thereof

Item	Amount at the end of the period (RMB) 30 September 2016	Amount at beginning of the period (RMB) 31 December 2015	Year-on- year change (%)	Notes
Cash at bank and in hand	2,659,622,939.39	798,295,283.74	233.16%	Mainly due to proceeds from non-public issuance of shares
Long-term equity investments	91,495,759.87	68,908,511.07	32.78%	Mainly due to increase in equity investment
Construction in progress	223,360,916.58	347,248,914.85	-35.68%	Mainly due to successive completion of ongoing projects which were transferred to fixed assets when they were ready for intended use as well as disposal of some constructions in progress
Long-term deferred expenses	70,398,557.46	40,023,456.83	75.89%	Mainly due to the increase in expenses of renovation of the plants
Short-term loan	350,000,000.00	250,000,000.00	40.00%	Mainly due to the increase in note financing for the current period
Taxes payables	175,506,277.16	130,034,879.53	34.97%	Mainly due to the increase in sales
Interest payables	608,105.30	11,823,945.25	-94.86%	Mainly due to repayment of due interests of the loans
Dividends payables	5,909,332.26	2,531,984.46	133.39%	Mainly due to the increase in dividends payable to Topsino
Non-current liabilities due within one year	400,000.00	400,400,000.00	-99.90%	Mainly due to payment of 2013 first tranche mid-term notes when due
Other current liabilities	350,000,000.00	-	-	Mainly due to the proceeds from issuance of 2016 first tranche short-term financing bills
Capital reserve	1,808,326,879.07	395,709,350.15	356.98%	Mainly due to premium arising from the non-public issuance of shares
Treasury shares	152,047,986.01	247,219,957.00	-38.50%	Mainly due to the decrease in repurchase obligation confirmed by the issuance of A Shares under the restricted shares incentive scheme as a result of the unlock of the first tranche

## 2.1 Substantial Changes of Items in the Consolidated Income Statement and Reasons thereof

Item	Amount of the current period (RMB) January 2016- September 2016	Amount of same period of last year (RMB) January 2015- September 2015	Year-on-year change (%)	Notes
Financial expenses	15,399,172.34	27,878,294.90	-44.76%	Mainly due to a decrease in the average balance of the loans and the decrease in the interest rates
Impairment losses on assets	99,596,519.87	42,471,326.31	134.50%	Mainly due to the provision for impairments as a result of decreasing market value of the shares of the invested overseas companies and some inventories about to expire
Gains from changes in fair value	-827,014.32	-1,279,711.09	35.37%	Mainly due to the fluctuation of the fair value of financial assets held for trading at end of the period
Investment income	1,725,585.35	6,896,113.40	-74.98%	Mainly due to the reduced profit of the associates including Guangdong Blue Treasure Pharmaceutical Co. Ltd. (廣東藍寶製藥有限公司)
Non-operating expenses	3,182,217.00	6,776,028.58	-53.04%	Mainly due to the reduced loss of disposal of obsolete facilities
Other comprehensive net income after taxation	3,757,311.23	-4,440,807.49	184.61%	Mainly due to the change in the fair value of available-for-sale financial assets held by the Company

## 2.2 Substantial Changes of Items in the Consolidated Income Statement and Reasons thereof

Item	Amount of the current period (RMB) July 2016– September 2016	Amount of same period of last year (RMB) July 2015– September 2015	Year-on- year change (%)	Notes
Asset impairments loss	21,012,130.45	13,174,908.78	59.49%	Mainly due to the provision for impairments of some inventories about to expire
Gains from changes in fair value	-410,159.75	-1,882,859.27	-78.22%	Mainly due to the fluctuation of the fair value of financial assets held for trading at end of the period
Investment income	41,411.26	3,424,253.32	-98.79%	Mainly due to the reduced profit of the associates including Guangdong Blue Treasure Pharmaceutical Co. Ltd. (廣東藍寶製藥有限公司)
Non-operating expenses	39,811,645.65	29,148,085.96	36.58%	Mainly due to an increase in government subsidies received
Gains and losses of the non-controlling shareholders	19,694,256.27	14,536,344.19	35.48%	Mainly due to the change in profit of some non-wholly owned subsidiaries
Other comprehensive net income after taxation	1,902,109.01	-5,870,146.95	132.40%	Mainly due to the change in the fair value of available-for-sale financial assets held by the Company

### 3. *Substantial Changes of Items in the Consolidated Cash Flow Statement and Reasons thereof*

Item	Amount of the current period (RMB) January - September 2016	Amount of same period of last year (RMB) January - September 2015	Year-on-year change (%)	Notes
Net cash flows from operating activities	883,128,020.10	571,069,445.70	54.64%	Mainly due to the increase in sales receipts for the current period
Sub-total of cash inflows from investing activities	89,929,003.34	17,443,601.26	415.54%	Mainly due to the increase in cash recovered from disposal of the equity of subsidiaries
Sub-total of cash outflows from investing activities	294,657,643.74	431,061,571.80	-31.64%	Mainly due to the reduced investment in project construction
Net cash flows from investing activities	-204,728,640.40	-413,617,970.54	50.50%	Mainly due to the increase in cash recovered from disposal of the equity of subsidiaries and the reduced investment in project construction
Sub-total of cash inflows from financing activities	2,631,924,472.07	954,242,080.00	175.81%	Mainly due to the proceeds from the non-public issuance of shares
Net cash flows from financing activities	1,207,192,347.43	-190,531,782.72	733.59%	Mainly due to an increase in proceeds from the non-public issuance of shares and an increase in cash dividend expenses allocated to the shareholders
Effect of foreign exchange rate changes on cash and cash equivalents	6,937,808.81	1,401,789.25	394.93%	Mainly due to the increase in exchange gains as a result of exchange rate fluctuations
Net increase in cash and cash equivalents	1,892,529,535.94	-31,678,518.31	6,074.17%	Mainly due to the increase in proceeds from the non-public issuance of shares, the increase in cash recovered from disposal of long-term assets and the reduced investment in project construction
Balance of cash and cash equivalents at the end of the period	2,659,622,939.39	677,435,907.86	292.60%	Mainly due to proceeds from non-public issuance of shares

## II. Analysis of the Development of Major Events, their Impacts and Solutions

Applicable    Not applicable

### *Non-public Issuance of A Shares*

The Company's proposed non-public issuance of A shares (hereinafter referred to as the "Issuance") was considered and approved by the 2015 third extraordinary general meeting held on 21 December 2015. Adjustments to the scale, the pricing method and the issue price of the Issuance were considered and approved on the 2016 second extraordinary general meeting held on 25 April 2016, and it was determined that no more than 38 million shares (inclusive) would be issued, the pricing benchmark date be 9 March 2016 and the issue price no less than RMB38.36 per share. The final issue price will be determined through auctions once the Issuance is approved by the China Securities Regulatory Commission (hereinafter referred to as the "CSRC"), and the final scale of the Issuance will be determined through negotiations between the Board with authorization granted by the general meeting and the sponsor (the lead underwriter) pursuant to the actual situation. The Issuance will be offered to no more than 10 specific allottees by way of non-public Issuance through subscription in cash within six months upon obtaining the approval from the CSRC. The shares subscribed by investors cannot be transferred within 12 months from the completion date of the Issuance, and the shares of the Issuance will be listed and traded on Shenzhen Stock Exchange upon the expiry of the lock-up period.

On 18 May 2016, the Issuance Review Committee of the CSRC (中國證監會發行審核委員會) reviewed and approved the application for the Issuance. On 15 June 2016, in view of the completion of the 2015 equity distribution for A shares, the Company adjusted the floor price and the number of shares to be issued under the Issuance as follows: the floor price was adjusted from no lower than RMB38.36 per share to no lower than RMB37.86 per share, and the scale of the Issuance was adjusted from no more than 38 million (inclusive) shares to no more than 38.5 million (inclusive) shares. Except for the above adjustments, no change has been made to other aspects of the proposed Issuance.

On 1 August 2016, the Company received the “Approval in Relation to the Non-public Issuance of Shares by Livzon Pharmaceutical Group Inc.” (Zheng Jian Xu Ke [2016] No. 1524) from the CSRC.

On 19 September 2016, the Company completed the registration of custody in relation to the new shares of the Issuance at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. Accordingly, the new shares under the Issuance were duly listed in the register of members of the Company. The number of shares under the Issuance was 29,098,203 A shares.

On 20 September 2016, 29,098,203 A shares under the Issuance were listed at an issue price of RMB50.10 per share. The lock-up period of the new A shares under the Issuance is 12 months and the estimated circulation date of the listed new shares shall be 20 September 2017. The total proceeds of the Issuance were RMB1,457,819,970.30. The net proceeds of the Issuance after deducting issuance fees were RMB1,420,300,366.77. Upon completion of the Issuance, the Company’s total share capital changed to 425,730,126 shares (including 280,138,766 A shares and 145,591,360 H shares).

The registered share capital will be increased by RMB29,098,203 by the non-public issuance of shares. As at the disclosure date of the Quarterly Report, the registration procedures for the increase of the Company’s registered share capital at the Administration of Industry and Commerce have not been completed.

**III. Undertakings given by the Company, shareholders, ultimate beneficial owners, acquirers, directors, supervisors, chief executive officers or other related parties fulfilled during the reporting period or yet to be fulfilled as at the end of the reporting period**

✓ Applicable    □ Not applicable

Subject of undertaking	Covenantor	Type of undertaking	Details of undertaking	Undertaking date	Term of undertaking	Performance
Undertaking for share restructuring	-	-	-	-	-	-
Undertaking in acquisition reports or equity change reports	-	-	-	-	-	-
Undertaking during asset reorganizations	-	-	-	-	-	-
Undertakings during B-to-H project of the Company	Baiyeyuan, Joicare and Mr. Zhu Baoguo and Ms. Liu Guangxia (person acting-in-concert)(collectively referred to as the "Covenantors" hereinafter)	Other undertaking	<p>Regarding the Company's task of changing the listing place of domestically listed foreign shares for the listing and trading on the Main Board of the Hong Kong Stock Exchange by way of introduction (hereinafter referred to as the "B-to-H Share Conversion"), the Covenantors provided the non-competition undertakings as follows:</p> <ol style="list-style-type: none"> <li>Subject to Articles 2 and 3 below, the Covenantors together with companies and individuals controlled thereof may not, at present or in the future, engage in businesses which may in any form, directly or indirectly, result in competition or potential competition with the pharmaceutical research, development, production and sale businesses by the Group from time to time (hereinafter referred to as the "Restricted Activities").</li> <li>The Covenantors together with companies and individuals controlled thereof shall immediately notify the Company in writing and prioritise such business opportunity to the Group on reasonable and fair terms and conditions, upon discovering any new business opportunities which constituted competition with the Restricted Activities. If the Group waives such business opportunity, the Covenantors together with companies and individuals controlled thereof may accept such business opportunity on terms and conditions no more favourable than those made available to the Group.</li> </ol>	10 January 2014	Long-term	Performing

Subject of undertaking	Covenantor	Type of undertaking	Details of undertaking	Undertaking date	Term of undertaking	Performance
			<p>3. As long as the Covenantors together with companies and individuals controlled thereof intend to transfer, dispose of, lease, allow to use, or otherwise transfer or allow to use such assets and businesses which may, directly or indirectly or potentially constitute competition with the Restricted Activities (hereinafter referred to as the "<b>Disposal and Transfer</b>"), the Covenantors together with companies and individuals controlled thereof shall provide pre-emptive rights to the Group on equivalent terms. If the Group waives such pre-emptive rights, major terms of the Disposal and Transfer between the Covenantors together with companies and individuals controlled thereof and other third parties may not be more favourable than the terms provided to the Group.</p> <p>4. The Covenantors together with companies and individuals controlled thereof shall not engage in or carry on any business which may harm the interests of the Group or other shareholders by using their relationship with shareholders of the Group or their identity as shareholders of the Group.</p> <p>5. The Covenantors together with companies and individuals controlled thereof shall not directly or indirectly: a) at any time induce or attempt to induce the Directors, senior management or consultants belonged to any members of the Group to terminate their employment with the Group or end their positions as employees or consultants of the Group (as appropriate), irrespective of whether such person's act would breach his employment contract or consultancy contract (as appropriate); or b) employ any person within three years after terminating his employment as Directors, senior management or consultants belonging to any members of the Group (other than those who serves as the Directors, senior management or consultants belonging to the Company or/and subsidiaries (excluding the Group) of the Company on the date of issuing this letter of undertaking), and such person has or may have any confidential information or commercial secrets relating to the Restricted Activities; or c) alone or jointly with any other person through or as manager, adviser, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of the Group, canvass, or solicit or accept orders from or do business with any person with whom any member of the Group has done business or solicit or persuade any person who has dealt with the Group or is in the process of negotiating with the Group in relation to the Restricted Business to cease to deal with the Group or reduce the amount of business which the person would normally do with the Group or seek to improve their terms of trade with any member of the Group.</p>			



Subject of undertaking	Covenantor	Type of undertaking	Details of undertaking	Undertaking date	Term of undertaking	Performance
			<p>6. The Covenantors and subsidiaries thereof further undertake: a) The Covenantors and subsidiaries thereof (excluding the Group) allow and procure relevant associates (excluding the Group) to allow the Independent Directors of the Company to review at least once each year the compliance of this letter of undertaking by the Covenantors and subsidiaries thereof (excluding the Group); b) The Covenantors and subsidiaries thereof (excluding the Group) shall provide annual review from Independent Directors of the Company and all necessary data in relation to execution of this letter of undertaking; c) The Group be allowed to disclose in annual reports or announcements of the decisions concerning compliance and execution of this letter of undertaking by the Covenantors and subsidiaries thereof (excluding the Group), after reviewed by Independent Directors of the Company; d) The Covenantors (on behalf of subsidiaries thereof excluding the Group) shall provide annual confirmation in respect of compliance of the terms of this letter of undertaking for inclusion into annual reports of the Company.</p> <p>7. Commencing from the date of issuing this relevant letter of undertaking, the Covenantors undertake that they shall bear related legal responsibilities and consequences arising from breach of any terms in the relevant letter of undertaking by the Covenantors (or subsidiaries of the Covenantors excluding the Group, and associate(s) of the Covenantors).</p> <p>8. The above undertaking shall terminate upon occurrence of the following events (whichever is earliest): a) The Covenantors and any subsidiaries thereof cease as controlling shareholders of the Company; b) The shares of the Company are no longer listed on the Stock Exchange and other stock exchange overseas (save as suspension of trading of the shares of the Company due to any reason(s)).”</p>			

Subject of undertaking	Covenantor	Type of undertaking	Details of undertaking	Undertaking date	Term of undertaking	Performance
Undertakings during implementation of non-public Issuance of A shares project	Joincare and Mr. Zhu Baoguo	Other undertaking	The Covenanters undertake not to intervene in the Company's business management activities and not to infringe upon the Company's interest.	8 March 2016	Up to the completion date of the execution of remedial measures of this non-public issuance	Performing
	ZHU Baoguo, TAO Desheng, YANG Daihong, FU Daotian, QIU Qingfeng, ZHONG Shan, XU Yanjun, GUO Guoqing, WANG Xiaojun, ZHENG Zhihua, XIE Yun, XU Guoxiang, LU Wenqi, SI Yanxia and YANG Liang	Other undertaking	<ol style="list-style-type: none"> <li>1. I undertake not to transfer benefits to other units or individuals at nil consideration or on unfair conditions, nor to damage the interests of the Company by other means.</li> <li>2. I undertake to impose restrictions on spending during performance of duties of directors and senior management.</li> <li>3. I undertake not to apply any assets of the Company for investments and consumption activities that are irrelevant to the duties performed.</li> <li>4. I undertake that the remuneration system set up by the Board or the remuneration committee will be linked with the implementation of remedial measures for returns of the Company.</li> <li>5. If the Company subsequently launches a share incentive scheme, I undertake that the conditions for exercising the right in respect of the prospect share incentive scheme will be linked with the implementation of remedial measures for returns of the Company.</li> </ol>	8 March 2016	Up to the completion date of the execution of remedial measures of this non-public issuance	Performing
	The Company	Other undertaking	<p>The Company will strictly comply with laws and regulations, such as the Company Law, Securities Law and the Administrative Measures on the Issuance of Securities of Listed Companies, and the requirements of the CSRC. The Company also undertakes the following from the listing date of the new shares under the non-public issuance:</p> <ol style="list-style-type: none"> <li>1. The Company shall publish periodic reports and disclose all information having material impact on investors in a true, accurate, complete, fair and timely manner, and be monitored and administered by the CSRC and the Shenzhen Stock Exchange;</li> <li>2. The Company shall make public clarification on a timely basis once noticing any news that may have misleading impact on the share price from mass media;</li> <li>3. The Directors, Supervisors and senior management of the Company shall take full consideration of opinions and recommendations from the public, and shall not be directly or indirectly engaged in the trading of the Company's shares with inside information and in other inappropriate means.</li> </ol> <p>The Company guarantees that there is no false statement or any material omission in the documents submitted to the Shenzhen Stock Exchange, and shall not disclose relevant information without permission of the Shenzhen Stock Exchange during the period of listing application.</p>	19 September 2016	Long-term	Performing

Subject of undertaking	Covenantor	Type of undertaking	Details of undertaking	Undertaking date	Term of undertaking	Performance
	China Huarong Asset Management Co., Ltd.	Undertaking for selling restrictions	3,900,000 shares subscribed and then allotted in the non-public issuance of Livzon Pharmaceutical Group Inc.* will be locked up for 12 months commencing the listing date of the new shares after the completion of the Issuance.	19 September 2016	One year	Performing
	Caitong Fund Management Co., Ltd.		5,200,000 shares subscribed and then allotted in the non-public issuance of Livzon Pharmaceutical Group Inc.* will be locked up for 12 months commencing the listing date of the new shares after the completion of the Issuance.	19 September 2016	One year	Performing
	China Merchants Wealth Asset Management Co., Ltd.		998,203 shares subscribed and then allotted in the non-public issuance of Livzon Pharmaceutical Group Inc.* will be locked up for 12 months commencing the listing date of the new shares after the completion of the Issuance.	19 September 2016	One year	Performing
	Penghua Asset Management (Shenzhen) Co., Ltd.		14,900,000 shares subscribed and then allotted in the non-public issuance of Livzon Pharmaceutical Group Inc.* will be locked up for 12 months commencing the listing date of the new shares after the completion of the Issuance.	19 September 2016	One year	Performing
	Da Cheng Fund Management Co., Ltd.		4,100,000 shares subscribed and then allotted in the non-public issuance of Livzon Pharmaceutical Group Inc.* will be locked up for 12 months commencing the listing date of the new shares after the completion of the Issuance.	19 September 2016	One year	Performing
Equity incentive undertaking	-		-	-	-	-
Other undertakings to minority shareholders of the Company	Joincare	Undertaking for decrease in shareholding	Joincare, the Company's controlling shareholder, has made undertakings during the elimination of trading moratorium of shares. Details are as follows: <ol style="list-style-type: none"> <li>Joincare shall strictly follow relevant provisions of the Guiding Opinions on Transfer of Shares subject to Trading Moratorium by Listed Companies ([2008] No. 15 notice) issued by CSRC when transferring the Group's shares subject to trading moratorium held by it.</li> <li>If Joincare plans to dispose the released tradable shares held by it through the auction system of stock exchanges and its reduced shareholding amounts to 5% and more within 6 months since its first reduction date, it will disclose an indicative announcement through the Group within two trading days prior to the first reduction of shareholding.</li> </ol>	17 December 2008	Long-term	During the reporting period, the Covenanters performed the undertaking in good faith.
Performance of undertaking on time	Yes					
If such undertaking has yet to be fulfilled within the stated timeframe, concrete reasons of unperformed undertaking and future plan (if any) should be explained in detail	Not applicable					

#### IV. Estimates on annual operating results from 2016

Warning in relation to the accumulated net profit from the beginning of the year to the end of the following reporting period may record a loss or changes substantially as compared with the same period last year and explanation of the reasons thereof

Applicable  Not applicable

#### V. Information on Securities Investment

Applicable  Not applicable

Type of securities	Security code	Security abbreviation	Initial Investment Cost (RMB)	Number of shares held at the beginning of the period (shares)	Number of shares held at the end of the period (shares)	Carrying amount at the end of the period (RMB)	Profit or loss for the reporting period (RMB)	Accounting and auditing item	Source of shares
Shares	00135	Kunlun Energy	4,243,647.64	1,000,000	1,000,000	5,079,723.00	-417,802.70	Financial assets at fair value and changes accounted for through profit or loss for the current period	Purchased in market
Funds	206001	Penghua Fund	150,000.00	619,573	619,573	830,909.02	7,642.95	Financial assets at fair value and changes accounted for through profit or loss for the current period	Purchased in market
Other securities investment held at the end of the period			-	-	-	-	-	-	-
Total			4,393,647.64	1,619,573	1,619,573	5,910,632.02	-410,159.75	-	-

#### VI. Information on Derivatives Investment

Applicable  Not applicable

## VII. Registration Form for Hosting Researches, Communications and Interviews during the Reporting Period

Applicable    Not applicable

Date of reception	Type of reception	Type of guests	Basic information of research
24 August 2016	On-site investigation	Institution	Please refer to the Investor Relationship Event Record Form on 24 August 2016 which the Company posted on the cninfo website on 25 August 2016 for detail of said research
26 August 2016	On-site investigation	Institution	Please refer to the Investor Relationship Event Record Form on 26 August 2016 (1) which the Company posted on the cninfo website on 29 August 2016 for detail of said research
26 August 2016	On-site investigation	Institution	Please refer to the Investor Relationship Event Record Form on 26 August 2016 (2) which the Company posted on the cninfo website on 29 August 2016 for detail of said research
12 September 2016	On-site investigation	Institution	Please refer to the Investor Relationship Event Record Form on 12 September 2016 which the Company posted on the cninfo website on 13 September 2016 for detail of said research
20 September 2016	On-site investigation	Institution	Please refer to the Investor Relationship Event Record Form on 20 September 2016 which the Company posted on the cninfo website on 20 September 2016 for detail of said research

## VIII. Information on illegal external guarantees

Applicable    Not applicable

During the reporting period, the Company had no illegal external guarantee.

## IX. Information on the non-operating use of funds of the Company by the controlling shareholder and its related parties

Applicable    Not applicable

During the reporting period, there is no non-operating use of funds of the Company by the controlling shareholder of the Company and its related parties.

## SECTION IV FINANCIAL STATEMENTS

### I. FINANCIAL STATEMENTS

#### 1. Consolidated Balance Sheet

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

Item	2016.09.30	2015.12.31
<b>Current assets:</b>		
Cash at bank and in hand	<b>2,659,622,939.39</b>	798,295,283.74
Financial assets at fair value and changes accounted for through profit or loss of the current period	<b>5,910,632.02</b>	6,589,225.34
Derivative financial assets	–	–
Bills receivables	<b>414,355,996.81</b>	343,042,435.08
Accounts receivables	<b>1,577,901,787.67</b>	1,256,094,264.14
Prepayments	<b>121,048,454.73</b>	122,297,549.66
Interest receivables	–	–
Dividends receivables	–	–
Other receivables	<b>66,999,626.42</b>	67,649,763.66
Financial assets purchased under resale agreements	–	–
Inventories	<b>1,088,282,004.15</b>	983,915,770.14
Assets classified as held-for-sale	–	–
Non-current assets due within one year	–	–
Other current assets	–	–
<b>Total current assets</b>	<b>5,934,121,441.19</b>	3,577,884,291.76

<b>Item</b>	<b>2016.09.30</b>	<b>2015.12.31</b>
<b>Non-current assets:</b>		
Entrusted loans and advances granted	–	–
Available-for-sale financial assets	<b>146,985,612.14</b>	179,622,286.76
Held-to-maturity investments	–	–
Long-term receivables	–	–
Long-term equity investments	<b>91,495,759.87</b>	68,908,511.07
Investment properties	–	–
Fixed assets	<b>3,351,703,674.58</b>	3,323,765,437.26
Construction in progress	<b>223,360,916.58</b>	347,248,914.85
Construction supplies	<b>90,598.29</b>	72,208.40
Disposal of fixed assets	–	–
Bearer biological assets	–	–
Oil and gas assets	–	–
Intangible assets	<b>292,535,299.61</b>	259,474,188.00
Development expenses	<b>14,534,288.95</b>	13,252,992.01
Goodwill	<b>103,040,497.85</b>	103,040,497.85
Long-term deferred expenses	<b>70,398,557.46</b>	40,023,456.83
Deferred income tax asset	<b>133,883,424.87</b>	104,338,481.98
Other non-current assets	<b>48,511,724.90</b>	59,906,523.64
<b>Total non-current assets</b>	<b>4,476,540,355.10</b>	4,499,653,498.65
<b>Total assets</b>	<b>10,410,661,796.29</b>	8,077,537,790.41

<b>Item</b>	<b>2016.09.30</b>	<b>2015.12.31</b>
<b>Current liabilities:</b>		
Short-term borrowings	<b>350,000,000.00</b>	250,000,000.00
Financial liabilities at fair value and changes accounted for through profit or loss of the current period	–	–
Derivative financial liabilities	–	–
Bills payables	<b>305,021,438.93</b>	299,007,801.36
Accounts payables	<b>615,006,954.97</b>	636,752,599.23
Receipts in advance	<b>57,842,711.01</b>	65,255,250.41
Employee remuneration payables	<b>73,451,577.63</b>	71,848,597.13
Taxes payables	<b>175,506,277.16</b>	130,034,879.53
Interest payables	<b>608,105.30</b>	11,823,945.25
Dividends payables	<b>5,909,332.26</b>	2,531,984.46
Other payables	<b>1,549,682,117.73</b>	1,287,284,945.74
Liabilities classified as held-for-sale	–	–
Non-current liabilities due within one year	<b>400,000.00</b>	400,400,000.00
Other current liabilities	<b>350,000,000.00</b>	–
<b>Total current liabilities</b>	<b>3,483,428,514.99</b>	3,154,940,003.11
<b>Non-current liabilities:</b>		
Long-term borrowings	<b>700,000.00</b>	700,000.00
Bonds payables	–	–
Of which: Preferred shares	–	–
Perpetual bonds	–	–
Long-term payables	–	–
Long-term employee remuneration payables	–	–
Special payables	–	–
Accrued liabilities	–	–
Deferred gains	<b>101,823,350.25</b>	99,558,739.98
Deferred income tax liabilities	<b>15,414,035.37</b>	12,442,303.79
Other non-current liabilities	–	–
<b>Total non-current liabilities</b>	<b>117,937,385.62</b>	112,701,043.77
<b>Total liabilities</b>	<b>3,601,365,900.61</b>	3,267,641,046.88



<b>Item</b>	<b>2016.09.30</b>	<b>2015.12.31</b>
<b>Shareholders' equity:</b>		
Share capital	<b>425,730,126.00</b>	396,889,547.00
Other equity instruments	–	–
Of which: Preferred shares	–	–
Perpetual shares	–	–
Capital reserve	<b>1,808,326,879.07</b>	395,709,350.15
Less: Treasury shares	<b>152,047,986.01</b>	247,219,957.00
Other comprehensive income	<b>–9,051,760.92</b>	–12,753,227.85
Special reserve	–	–
Surplus reserve	<b>546,610,551.66</b>	546,610,551.66
General risk provision	–	–
Unallocated earnings	<b>3,683,348,313.67</b>	3,267,019,067.30
Total equity attributable to shareholders of the parent company	<b>6,302,916,123.47</b>	4,346,255,331.26
Non-controlling interests	<b>506,379,772.21</b>	463,641,412.27
<b>Total shareholders' equity</b>	<b>6,809,295,895.68</b>	4,809,896,743.53
<b>Total liabilities and shareholders' equity</b>	<b>10,410,661,796.29</b>	8,077,537,790.41

<b>Legal representatives:</b>	<b>Person-in-charge of accounting work:</b>	<b>Person-in-charge of the accounting department:</b>
Zhu Baoguo	Si Yanxia	Zhuang Jianying

## 2. Balance Sheet of the Parent Company

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

Item	2016.09.30	2015.12.31
<b>Current assets:</b>		
Cash at bank and in hand	<b>2,304,748,967.37</b>	694,156,636.07
Financial assets at fair value and changes accounted for through profit or loss of the current period	–	–
Derivative financial assets	–	–
Bills receivables	<b>289,500,599.55</b>	249,484,247.50
Accounts receivables	<b>836,405,751.41</b>	662,518,994.54
Prepayments	<b>7,924,511.49</b>	9,546,100.48
Interest receivables	–	–
Dividends receivables	<b>321,919,928.73</b>	–
Other receivables	<b>1,520,155,106.33</b>	1,585,385,721.95
Inventories	<b>309,032,731.28</b>	168,357,913.47
Assets classified as held-for-sale	–	–
Non-current assets due within one year	–	–
Other current assets	–	–
<b>Total current assets</b>	<b>5,589,687,596.16</b>	3,369,449,614.01
<b>Non-current assets:</b>		
Available-for-sale financial assets	<b>146,485,612.14</b>	147,699,684.48
Held-to-maturity investments	–	–
Long-term receivables	–	–
Long-term equity investments	<b>2,068,778,628.78</b>	2,026,142,377.51
Investment properties	–	–
Fixed assets	<b>60,499,814.92</b>	63,844,093.19
Construction in progress	–	–
Construction supplies	–	–
Disposal of fixed assets	–	–
Bearer biological assets	–	–

<b>Item</b>	<b>2016.09.30</b>	<b>2015.12.31</b>
Oil and gas assets	–	–
Intangible assets	<b>19,291,892.48</b>	28,496,294.11
Development expenses	<b>14,534,288.95</b>	13,252,992.01
Goodwill	–	–
Long-term deferred expenses	<b>11,295,294.53</b>	180,000.00
Deferred income tax asset	<b>23,171,715.72</b>	21,492,844.45
Other non-current assets	<b>12,160,000.00</b>	12,292,055.00
<b>Total non-current assets</b>	<b>2,356,217,247.52</b>	2,313,400,340.75
<b>Total assets</b>	<b>7,945,904,843.68</b>	5,682,849,954.76
<b>Current liabilities:</b>		
Short-term borrowings	<b>350,000,000.00</b>	250,000,000.00
Financial liabilities at fair value and changes accounted for through profit or loss of the current period	–	–
Derivative financial liabilities	–	–
Bills payables	<b>313,654,663.96</b>	330,374,507.17
Accounts payables	<b>633,822,843.50</b>	429,038,759.87
Receipts in advance	<b>16,756,942.45</b>	16,427,440.17
Employee remuneration payables	<b>12,464,034.89</b>	7,548,051.22
Taxes payables	<b>75,891,995.87</b>	103,953,327.71
Interest payables	<b>608,105.30</b>	11,823,945.25
Dividends payables	<b>3,397,522.26</b>	20,174.46
Other payables	<b>2,628,966,395.79</b>	2,343,751,581.54
Liabilities classified as held-for-sale	–	–
Non-current liabilities due within one year	–	400,000,000.00
Other current liabilities	<b>350,000,000.00</b>	–
<b>Total current liabilities</b>	<b>4,385,562,504.02</b>	3,892,937,787.39

Item	2016.09.30	2015.12.31
<b>Non-current liabilities:</b>	–	–
Long-term borrowings	–	–
Bonds payables	–	–
Of which: Preferred shares	–	–
Perpetual bonds	–	–
Long-term payables	–	–
Long-term employee remuneration payables	–	–
Special payables	–	–
Accrued liabilities	–	–
Deferred gains	26,483,338.51	23,223,982.36
Deferred income tax liabilities	3,759,978.95	3,684,688.37
Other non-current liabilities	–	–
<b>Total non-current liabilities</b>	<b>30,243,317.46</b>	<b>26,908,670.73</b>
<b>Total liabilities</b>	<b>4,415,805,821.48</b>	<b>3,919,846,458.12</b>
<b>Shareholders' equity:</b>		
Share capital	425,730,126.00	396,889,547.00
Other equity instruments	–	–
Of which: Preferred shares	–	–
Perpetual shares	–	–
Capital reserve	1,929,854,187.42	517,236,658.50
Less: Treasury shares	152,047,986.01	247,219,957.00
Other comprehensive income	7,531,978.73	8,563,940.22
Special reserve	–	–
Surplus reserve	341,647,498.08	341,647,498.08
General risk provision	–	–
Unallocated earnings	977,383,217.98	745,885,809.84
<b>Total shareholders' equity</b>	<b>3,530,099,022.20</b>	<b>1,763,003,496.64</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,945,904,843.68</b>	<b>5,682,849,954.76</b>

**Legal representatives:**

Zhu Baoguo

**Person-in-charge of  
accounting work:**

Si Yanxia

**Person-in-charge of the  
accounting department:**

Zhuang Jianying

### 3. Consolidated Income Statement for the Period

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

Item	July to September 2016	July to September 2015
<b>I. Total operating income</b>	<b>1,939,550,452.82</b>	1,771,334,322.47
Of which: Operating income	<b>1,939,550,452.82</b>	1,771,334,322.47
<b>II. Total operating costs</b>	<b>1,712,002,544.08</b>	1,595,717,321.95
Of which: Operating costs	<b>670,542,301.05</b>	678,346,826.41
Business taxes and surcharges	<b>23,248,472.33</b>	22,075,670.52
Selling expenses	<b>814,317,824.82</b>	706,907,681.89
Administrative expenses	<b>176,176,707.02</b>	166,768,624.47
Financial expenses	<b>6,705,108.41</b>	8,443,609.88
Impairment loss of assets	<b>21,012,130.45</b>	13,174,908.78
Add: Gains from changes in fair value ("–" represents losses)	<b>–410,159.75</b>	–1,882,859.27
Investment income ("–" represents losses)	<b>41,411.26</b>	3,424,253.32
Of which: Income from investment in associates and joint ventures	<b>–1,034,402.74</b>	3,374,253.32
<b>III. Operating profit</b> ("–" represents losses)	<b>227,179,160.25</b>	177,158,394.57
Add: Non-operating income	<b>39,811,645.65</b>	29,148,085.96
Of which: Profit from disposal of non-current assets	<b>395,017.44</b>	–
Less: Non-operating expenses	<b>311,164.41</b>	620,428.79
Of which: Losses from disposal of non-current assets	<b>114,478.63</b>	157,654.83
<b>IV. Total profit ("–" represents total losses)</b>	<b>266,679,641.49</b>	205,686,051.74
Less: Income tax expenses	<b>41,273,188.75</b>	36,541,042.91

Item	July to September 2016	July to September 2015
<b>V. Net profit (“-” represents net losses)</b>	<b>225,406,452.74</b>	169,145,008.83
Net profit attributable to the shareholders of the parent company	<b>205,712,196.47</b>	154,608,664.64
Profit or loss to the non-controlling shareholders	<b>19,694,256.27</b>	14,536,344.19
<b>VI. Other comprehensive net income after taxation</b>	<b>1,902,109.01</b>	-5,870,146.95
Other comprehensive net income after taxation attributable to the shareholders of the parent company	<b>1,876,014.98</b>	-1,989,396.48
(I) Other comprehensive income subsequently not to be reclassified into profit or loss		
1. Changes caused by re-measurement of net liabilities or net assets of benefit plans	-	-
2. Other comprehensive income portions subsequently not to be reclassified into profit or loss of investment units under the equity method	-	-
(II) Other comprehensive income subsequently to be reclassified into profit or loss	<b>1,876,014.98</b>	-1,989,396.48
1. Other comprehensive income portions subsequently to be reclassified into profit or loss of investment units under the equity method	-	-

Item	July to September 2016	July to September 2015
2. Profit and loss from changes of fair value of available-for-sale financial assets	<b>101,172.69</b>	-4,195,115.07
3. Held-to-maturity investment to be reclassified as profit and loss of available-for-sale financial assets	-	-
4. Valid portion of the gains or losses arising from cash flow hedges instrument	-	
5. Translation differences of financial statements denominated in foreign currency	<b>1,774,842.29</b>	998,548.59
6. Others	-	1,207,170.00
Other comprehensive net income after taxation attributable to non-controlling shareholders	<b>26,094.03</b>	-3,880,750.47
<b>VII. Total comprehensive income</b>	<b>227,308,561.75</b>	163,274,861.88
Total comprehensive income attributable to the shareholders of the parent company	<b>207,588,211.45</b>	152,619,268.16
Total comprehensive income attributable to non-controlling shareholders	<b>19,720,350.30</b>	10,655,593.72
<b>VIII. Earnings per share:</b>		
(I) Basic earnings per share	<b>0.53</b>	0.39
(II) Diluted earnings per share	<b>0.53</b>	0.39

**Legal representatives:**  
Zhu Baoguo

**Person-in-charge of  
accounting work:**  
Si Yanxia

**Person-in-charge of the  
accounting department:**  
Zhuang Jianying

#### 4. *Income Statement of the Parent Company for the Period*

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

Item	July to September 2016	July to September 2015
<b>I. Operating income</b>	<b>1,171,155,814.68</b>	1,082,344,605.88
Less: Operating costs	<b>581,703,560.33</b>	520,111,605.73
Business taxes and surcharges	<b>8,816,927.80</b>	10,122,028.69
Selling expenses	<b>549,010,024.60</b>	473,906,952.66
Administrative expenses	<b>56,616,675.25</b>	74,518,099.35
Financial expenses	<b>-6,189,320.99</b>	-9,059,762.16
Impairment loss of assets	<b>490,184.36</b>	5,855,661.26
Add: Gains from changes in fair value (“-” represents losses)	-	-
Investment income (“-” represents losses)	<b>556,385.14</b>	552,658.05
Of which: Income from investment in associates and joint ventures	<b>-519,239.86</b>	552,658.05
<b>II. Operating profit (“-” represents losses)</b>	<b>-18,735,851.53</b>	7,442,678.40
Add: Non-operating income	<b>28,815,020.50</b>	19,368,229.27
Of which: Profit from disposal of non-current assets	-	-
Less: Non-operating expenses	<b>127,036.45</b>	824.50
Of which: Losses from disposal of non-current assets	-	824.50
<b>III. Total profit (“-” represents total losses)</b>	<b>9,952,132.52</b>	26,810,083.17
Less: Income tax expenses	<b>-1,304,182.22</b>	2,973,802.77
<b>IV. Net profit (“-” represents net losses)</b>	<b>11,256,314.74</b>	23,836,280.40
<b>V. Other comprehensive net income after taxation</b>	<b>101,172.69</b>	1,080,315.01
(I) Other comprehensive income subsequently not to be reclassified into profit or loss	-	-
1. Changes caused by re- measurement of net liabilities or net assets of benefit plans	-	-



Item	July to September 2016	July to September 2015
2. Other comprehensive income portions subsequently not to be reclassified into profit or loss of investment units under the equity method	-	-
(II) Other comprehensive income subsequently to be reclassified into profit or loss	<b>101,172.69</b>	1,080,315.01
1. Other comprehensive income portions subsequently to be reclassified into profit or loss of investment units under the equity method	-	-
2. Profit and loss from changes of fair value of available-for-sale financial assets	<b>101,172.69</b>	-126,854.99
3. Held-to-maturity investment to be reclassified as profit and loss of available-for-sale financial assets	-	-
4. Valid portion of the gains or losses arising from cash flow hedges instrument	-	-
5. Translation differences of financial statements denominated in foreign currency	-	-
6. Others	-	1,207,170.00
<b>VI. Total comprehensive income</b>	<b>11,357,487.43</b>	24,916,595.41
<b>VII. Earnings per share:</b>	-	-
(I) Basic earnings per share	-	-
(II) Diluted earnings per share	-	-

**Legal representatives:**  
Zhu Baoguo

**Person-in-charge of  
accounting work:**  
Si Yanxia

**Person-in-charge of the  
accounting department:**  
Zhuang Jianying

**5. Consolidated Income Statement from Beginning of the Year to the End of the Reporting Period**

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

Item	January to September 2016	January to September 2015
<b>I. Total operating income</b>	<b>5,723,850,111.45</b>	4,886,738,024.38
Of which: Operating income	<b>5,723,850,111.45</b>	4,886,738,024.38
<b>II. Total operating costs</b>	<b>5,034,370,087.94</b>	4,337,826,530.60
Of which: Operating costs	<b>2,025,857,840.72</b>	1,887,951,512.98
Business taxes and surcharges	<b>72,111,076.87</b>	58,302,967.16
Selling expenses	<b>2,315,781,173.27</b>	1,876,235,202.97
Administrative expenses	<b>505,624,304.87</b>	444,987,226.28
Financial expenses	<b>15,399,172.34</b>	27,878,294.90
Impairment loss of assets	<b>99,596,519.87</b>	42,471,326.31
Add: Gains from changes in fair value (“-” represents losses)	<b>-827,014.32</b>	-1,279,711.09
Investment income (“-” represents losses)	<b>1,725,585.35</b>	6,896,113.40
Of Which: Income from investment in associates and joint ventures	<b>12,248.80</b>	6,418,129.12
<b>III. Operating profit (“-” represents losses)</b>	<b>690,378,594.54</b>	554,527,896.09
Add: Non-operating income	<b>99,905,040.28</b>	107,503,334.13
Of which: Profit from disposal of non-current assets	<b>6,130,987.89</b>	91,024.32
Less: Non-operating expenses	<b>3,182,217.00</b>	6,776,028.58
Of which: Losses from disposal of non-current assets	<b>331,848.45</b>	5,047,461.68
<b>IV. Total profit (“-” represents total losses)</b>	<b>787,101,417.82</b>	655,255,201.64
Less: Income tax expenses	<b>134,228,215.31</b>	113,607,138.39

Item	January to September 2016	January to September 2015
<b>V. Net profit (“–” represents net losses)</b>	<b>652,873,202.51</b>	541,648,063.25
Net profit attributable to the shareholders of the parent company	<b>614,774,019.87</b>	495,452,020.12
Profit or loss to the non-controlling shareholders	<b>38,099,182.64</b>	46,196,043.13
<b>VI. Other comprehensive net income after taxation</b>	<b>3,757,311.23</b>	–4,440,807.49
Other comprehensive net income after taxation attributable to the shareholders of the parent company	<b>3,701,466.93</b>	–684,636.08
(I) Other comprehensive income subsequently not to be reclassified into profit or loss	–	–
1. Changes caused by re- measurement of net liabilities or net assets of benefit plans	–	–
2. Other comprehensive income portions subsequently not to be reclassified as profit or loss of investment units under the equity method	–	–
(II) Other comprehensive income subsequently to be reclassified into profit or loss	<b>3,701,466.93</b>	–684,636.08
1. Other comprehensive income portions subsequently to be reclassified as profit or loss of investment units under the equity method	–	–
2. Profit and loss from changes of fair value of available-for-sale financial assets	<b>–1,031,961.49</b>	–2,598,412.01

Item	January to September 2016	January to September 2015
3. Held-to-maturity investment to be reclassified as profit and loss of available-for-sale financial asset	–	–
4. Valid portion of the gains or losses arising from cash flow hedges instrument	–	–
5. Translation differences of financial statements denominated in foreign currency	4,733,428.42	706,605.93
6. Others	–	1,207,170.00
Other comprehensive net income after taxation attributable to non-controlling shareholders	55,844.30	–3,756,171.41
<b>VII. Total comprehensive income</b>	<b>656,630,513.74</b>	<b>537,207,255.76</b>
Total comprehensive income attributable to the shareholders of the parent company	618,475,486.80	494,767,384.04
Total comprehensive income attributable to non-controlling shareholders	38,155,026.94	42,439,871.72
<b>VIII. Earnings per share:</b>	–	–
(I) Basic earnings per share	1.57	1.27
(II) Diluted earnings per share	1.57	1.27

<b>Legal representatives:</b>	<b>Person-in-charge of accounting work:</b>	<b>Person-in-charge of the accounting department:</b>
Zhu Baoguo	Si Yanxia	Zhuang Jianying

**6. Income Statement of the Parent Company from Beginning of the Year to the End of the Reporting Period**

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

<b>Item</b>	<b>January to September 2016</b>	January to September 2015
<b>I. Operating income</b>	<b>3,486,555,857.87</b>	2,883,248,764.38
Less: Operating costs	<b>1,754,990,013.62</b>	1,356,537,595.83
Business taxes and surcharges	<b>31,171,857.97</b>	27,958,075.09
Selling expenses	<b>1,512,740,154.80</b>	1,241,638,827.40
Administrative expenses	<b>179,576,513.09</b>	172,040,298.11
Financial expenses	<b>-16,466,139.32</b>	-25,526,934.27
Impairment loss of assets	<b>13,183,338.51</b>	14,290,456.59
Add: Gains from changes in fair value (“-” represents losses)	-	-
Investment income (“-” represents losses)	<b>353,796,253.75</b>	21,967,059.17
Of which: Income from investment in associates and joint ventures	<b>-1,163,748.73</b>	1,229,074.89
<b>II. Operating profit (“-” represents losses)</b>	<b>365,156,372.95</b>	118,277,504.80
Add: Non-operating income	<b>70,056,163.27</b>	65,335,027.99
Of which: Profit from disposal of non-current assets	<b>5,921.77</b>	6,085.00
Less: Non-operating expenses	<b>174,441.33</b>	59,579.06
Of which: Losses from disposal of non-current assets	<b>47,404.88</b>	59,579.06
<b>III. Total profit (“-” represents total losses)</b>	<b>435,038,094.89</b>	183,552,953.73
Less: Income tax expenses	<b>5,095,913.25</b>	20,302,462.91

Item	January to September 2016	January to September 2015
<b>IV. Net profit (“-” represents net losses)</b>	<b>429,942,181.64</b>	163,250,490.82
<b>V. Other comprehensive net income after taxation</b>	<b>-1,031,961.49</b>	2,548,875.59
(I) Other comprehensive income items subsequently not to be reclassified into profit or loss	-	-
1. Changes caused by re- measurement of net liabilities or net assets of benefit plans	-	-
2. Other comprehensive income portions subsequently not to be reclassified into profit or loss of investment units under the equity method	-	-
(II) Other comprehensive income items subsequently to be reclassified into profit or loss	<b>-1,031,961.49</b>	2,548,875.59
1. Other comprehensive income portions subsequently to be reclassified into profit or loss of investment units under the equity method	-	-
2. Profit and loss from changes of fair value of available-for-sale financial assets	<b>-1,031,961.49</b>	1,341,705.59
3. Held-to-maturity investment to be reclassified as profit and loss of available-for-sale financial asset	-	-
4. Valid portion of the gains or losses arising from cash flow hedges instrument	-	-

<b>Item</b>	<b>January to September 2016</b>	January to September 2015
5. Translation differences of financial statements denominated in foreign currency	-	-
6. Others	-	1,207,170.00
<b>VI. Total comprehensive income</b>	<b>428,910,220.15</b>	165,799,366.41
<b>VII. Earnings per share:</b>	-	-
(I) Basic earnings per share	-	-
(II) Diluted earnings per share	-	-

<b>Legal representatives:</b>	<b>Person-in-charge of accounting work:</b>	<b>Person-in-charge of the accounting department:</b>
Zhu Baoguo	Si Yanxia	Zhuang Jianying

**7. Consolidated Cash Flow Statement from Beginning of the Year to the End of the Reporting Period**

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

<b>Item</b>	<b>For the Current Period</b>	<b>For the Previous Period</b>
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services	<b>5,573,415,046.01</b>	4,770,213,220.44
Refund of taxes	<b>38,429,516.23</b>	47,100,391.36
Cash received relating to other operating activities	<b>147,795,530.46</b>	144,936,126.13
<b>Sub-total of cash inflows from operating activities</b>	<b>5,759,640,092.70</b>	4,962,249,737.93
Cash paid for purchasing goods and services	<b>1,387,419,927.21</b>	1,396,333,506.34
Cash paid to and for employees	<b>430,653,550.26</b>	371,585,842.52
Cash paid for all types of taxes	<b>783,915,173.97</b>	637,269,449.64
Cash paid relating to other operating activities	<b>2,274,523,421.16</b>	1,985,991,493.73
<b>Sub-total of cash outflows from operating activities</b>	<b>4,876,512,072.60</b>	4,391,180,292.23
<b>Net cash flows from operating activities</b>	<b>883,128,020.10</b>	571,069,445.70



Item	For the Current Period	For the Previous Period
<b>II. Cash flows from investing activities:</b>	–	–
Cash received from reversal of investments	–	–
Cash received from return on investments	<b>1,240,847.25</b>	477,984.28
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	<b>1,177,907.31</b>	5,031,656.87
Net cash received from disposal of subsidiaries and other operating entities	<b>72,999,265.69</b>	–
Cash received relating to other investing activities	<b>14,510,983.09</b>	11,933,960.11
<b>Sub-total of cash inflows from investing activities</b>	<b>89,929,003.34</b>	17,443,601.26
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	<b>272,082,643.74</b>	336,855,865.39
Cash paid for investments	<b>22,575,000.00</b>	80,831,500.00
Cash paid relating to other investing activities	–	13,374,206.41
<b>Sub-total of cash outflows from investing activities</b>	<b>294,657,643.74</b>	431,061,571.80
<b>Net cash flows from investing activities</b>	<b>–204,728,640.40</b>	–413,617,970.54
<b>III. Cash flows from financing activities:</b>	–	–
Cash received from investors	<b>1,420,916,651.07</b>	218,242,080.00
Of which: Cash received from non- controlling shareholders of subsidiaries	–	–

Item	For the Current Period	For the Previous Period
Cash received from borrowings	860,000,000.00	736,000,000.00
Cash received from bonds issuance	350,000,000.00	–
Cash received relating to other financing activities	1,007,821.00	–
<b>Sub-total of cash inflows     from financing activities</b>	<b>2,631,924,472.07</b>	954,242,080.00
Cash repayments of borrowings	1,160,000,000.00	1,042,009,122.45
Cash paid for dividends, profit distributions or interest repayments	259,704,900.44	102,764,740.27
Of which: Dividends and profits paid to non-controlling shareholders of subsidiaries	31,850,000.00	22,540,000.00
Cash paid relating to other financing activities	5,027,224.20	–
<b>Sub-total of cash outflow     from financing activities</b>	<b>1,424,732,124.64</b>	1,144,773,862.72
<b>Net cash flows from     financing activities</b>	<b>1,207,192,347.43</b>	–190,531,782.72
<b>IV. Effect of foreign exchange rate     changes on cash and cash equivalents</b>	<b>6,937,808.81</b>	1,401,789.25
<b>V. Net increase in cash and     cash equivalents</b>	<b>1,892,529,535.94</b>	–31,678,518.31
Add: Balance of cash and cash equivalents at the beginning of the period	767,093,403.45	709,114,426.17
<b>VI. Balance of cash and cash equivalents     at the end of the period</b>	<b>2,659,622,939.39</b>	677,435,907.86

Legal representatives:

Zhu Baoguo

Person-in-charge of  
accounting work:

Si Yanxia

Person-in-charge of the  
accounting department:

Zhuang Jianying

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

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

<b>Item</b>	<b>For the Current Period</b>	For the Previous Period
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services	<b>3,797,536,827.09</b>	3,126,622,142.71
Refund of taxes	–	–
Cash received relating to other operating activities	<b>107,335,365.08</b>	116,474,604.80
<b>Sub-total of cash inflows from operating activities</b>	<b>3,904,872,192.17</b>	3,243,096,747.51
Cash paid for purchasing goods and services	<b>2,000,165,282.15</b>	1,436,429,948.75
Cash paid to and for employees	<b>73,636,969.69</b>	66,201,181.04
Cash paid for all types of taxes	<b>299,690,415.29</b>	255,569,803.13
Cash paid relating to other operating activities	<b>1,437,584,081.83</b>	1,270,627,150.58
<b>Sub-total of cash outflows from operating activities</b>	<b>3,811,076,748.96</b>	3,028,828,083.50
<b>Net cash flows from operating activities</b>	<b>93,795,443.21</b>	214,268,664.01
<b>II. Cash flows from investing activities:</b>	–	–
Cash received from reversal of investments	–	–
Cash received from return on investments	<b>33,040,073.75</b>	20,737,984.28

<b>Item</b>	<b>For the Current Period</b>	For the Previous Period
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	<b>157,740.00</b>	31,000.00
Net cash received from disposal of subsidiaries and other operating entities	–	–
Cash received relating to other investing activities	–	–
<b>Sub-total of cash inflows from investing activities</b>	<b>33,197,813.75</b>	20,768,984.28
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	<b>11,435,060.01</b>	12,349,661.37
Cash paid for investments	<b>43,800,000.00</b>	80,831,500.00
Net cash paid for acquisition of subsidiaries and other operating entities	–	–
Cash paid relating to other investing activities	–	–
<b>Sub-total of cash outflows from investing activities</b>	<b>55,235,060.01</b>	93,181,161.37
<b>Net cash flows from investing activities</b>	<b>–22,037,246.26</b>	–72,412,177.09

Item	For the Current Period	For the Previous Period
<b>III. Cash flows from financing activities:</b>	–	–
Cash received from investors	<b>1,420,916,651.07</b>	218,242,080.00
Cash received from borrowings	<b>430,000,000.00</b>	154,600,000.00
Borrowings received from subsidiaries	<b>1,242,501,280.72</b>	611,035,004.48
Cash received from bonds issuance	<b>350,000,000.00</b>	–
Cash received relating to other financing activities	<b>1,007,821.00</b>	–
<b>Sub-total of cash inflows from         financing activities</b>	<b>3,444,425,752.79</b>	983,877,084.48
Cash repayments of borrowings	<b>830,000,000.00</b>	511,804,700.00
Cash paid for dividends, profit distributions or interest repayments	<b>218,894,167.08</b>	62,907,004.19
Cash paid relating to other financing activities	<b>840,011,134.27</b>	560,689,651.74
Advances to subsidiaries	–	–
<b>Sub-total of cash outflow         from financing activities</b>	<b>1,888,905,301.35</b>	1,135,401,355.93
<b>Net cash flows from financing         activities</b>	<b>1,555,520,451.44</b>	–151,524,271.45
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>5,080.11</b>	55,910.27
<b>V. Net increase in cash and cash equivalents</b>	<b>1,627,283,728.50</b>	–9,611,874.26
Add: Balance of cash and cash equivalents at the beginning of the period	<b>677,465,238.87</b>	611,630,017.65
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	<b>2,304,748,967.37</b>	602,018,143.39

**Legal representatives:**  
Zhu Baoguo

**Person-in-charge of  
accounting work:**  
Si Yanxia

**Person-in-charge of the  
accounting department:**  
Zhuang Jianying

## II. AUDITOR'S REPORT

Whether the third quarterly report is audited

YES  NO

The third quarterly report of the Company has not been audited.

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

Zhuhai, China  
25 October 2016

*As at the date of this announcement, the Executive Directors of the Company are Mr. Tao Desheng (Vice Chairman and President), Mr. Fu Daotian (Vice President) and Mr. Yang Daihong (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. Guo Guoqing, Mr. Wang Xiaojun, Mr. Zheng Zhihua and Mr. Xie Yun.*

\* For identification purpose only