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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)

2017 FIRST QUARTERLY REPORT

This announcement is made by the 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**”) pursuant to Rule 13.09 and Rules 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

SECTION I IMPORTANT NOTICE

The board of Directors, Supervisory Committee, and the Directors, Supervisors and senior management of the Company guarantee the truthfulness, accuracy and completeness of this 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 in person to consider this 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), chief financial officer (the person-in-charge of the accounting works), and Ms. Zhuang Jianying (莊健瑩女士), the person-in-charge of the accounting department (the person-in-charge of accounting), declare that they guarantee the truthfulness, accuracy and completeness of the financial statements in this quarterly report.

This quarterly report covering the financial results of the Company from 1 January 2017 to 31 March 2017 (the “**Reporting Period**”) has been prepared in both Chinese and English. Where there is any inconsistency between the English and the Chinese version, the Chinese version shall prevail.

SECTION II COMPANY PROFILE

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

	Reporting Period	Corresponding period of last year	Change from the corresponding period of last year to the Reporting Period
Operating income (RMB)	2,126,032,700.53	1,745,574,028.94	21.80%
Net profit attributable to the shareholders of the company (RMB)	275,011,096.84	230,111,893.82	19.51%
Net profit attributable to the shareholders of the company after deducting extraordinary gains or losses (RMB)	238,343,079.15	189,314,722.20	25.90%
Net cash flow from operating activities (RMB)	257,702,732.97	138,284,023.02	86.36%
Basic earnings per share (RMB/share)	0.66	0.60	10.00%
Diluted earnings per share (RMB/share)	0.65	0.59	10.17%
Weighted average return on net assets	4.14%	5.16%	A decrease of 1.02 percentage points

	As at the end of the Reporting Period	As at the end of last year	Change from the end of last year to the end of the Reporting Period
Total assets (RMB)	11,334,271,240.83	10,529,262,952.41	7.65%
Net assets attributable to the shareholders of the company (RMB)	6,785,992,907.26	6,505,987,404.43	4.30%

Total share capital of the Company as at the trading day prior to the publication of this report:

Total share capital of the Company as at the trading day prior to the publication of this report (share)	425,596,852.00
Fully diluted earnings per share based on the latest share capital (RMB/share)	0.65

Items and amounts of extraordinary gains or losses

Applicable Not Applicable

Unit : RMB

Item	From beginning of the year to the end of the Reporting Period	Description
Profit or loss from disposal of non-current assets (including writing-off of accrued impairment provision of assets)	-298,681.10	
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)	51,322,049.14	
Gains or losses from investments on trust or asset management	4,086,266.19	
Other non-operating income and expenses in addition to the above	-11,090,069.04	
Less: Effect on income tax	4,375,341.94	
Effect on non-controlling interests (after tax)	2,976,205.56	
Total	<u><u>36,668,017.69</u></u>	

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” that are 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. Total number of shareholders of ordinary shares and number of 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	15,482 holders (including 15,476 A shareholders and 6 H shareholders)	Total number of preferential shareholders with voting rights resumed as at the end of the Reporting Period (if any)	0			
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 of shares	Number
HKSCC Nominees Limited	Foreign legal person	34.21%	145,587,970	16,250,000	Pledged	16,250,000
Joincare Pharmaceutical Industry Group Co., Ltd.	Domestic non-state owned legal person	23.68%	100,763,218	–	–	–
Penghua Asset Management-SPDB-Hwabao Trust –Hwabao-Kang Sheng Tian Tian Xiang Shang Assembled Funds Trust Scheme	Other	3.50%	14,900,000	14,900,000	–	–
National Social Security Fund 113	Other	2.29%	9,764,500	1,700,000	–	–
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	–	–	–
Central Huijin Investment Company Limited	State owned legal person	1.29%	5,487,820	–	–	–
China Construction Bank Corporation-Boshi Industry Mixed Securities Investment Fund (LOF)	Other	0.99%	4,200,603	–	–	–
China Huarong Asset Management Co., Ltd.	State owned legal person	0.92%	3,900,000	3,900,000	–	–
China Life Insurance Company Limited-Dividends-Individual Dividends-005L-FH002 Shen	Other	0.82%	3,509,424	–	–	–

Information on Shareholdings of Top Ten Shareholders without Selling Restrictions

Name of shareholder	Number of shares held without selling restriction	Type of shares	
		Type of shares	Number
HKSCC Nominees Limited	129,337,970	Overseas listed foreign shares	129,337,970
Joincare Pharmaceutical Industry Group Co., Ltd.	100,763,218	Ordinary shares denominated in Renminbi	100,763,218
National Social Security Fund 113	8,064,500	Ordinary shares denominated in Renminbi	8,064,500
Shenzhen Haibin Pharmaceutical Co., Ltd.	7,660,826	Ordinary shares denominated in Renminbi	7,660,826
Central Huijin Investment Company Limited	5,487,820	Ordinary shares denominated in Renminbi	5,487,820
China Construction Bank Corporation-Boshi Industry Mixed Securities Investment Fund (LOF)	4,200,603	Ordinary shares denominated in Renminbi	4,200,603
China Life Insurance Company Limited-Dividend-Individual Dividend- 005L-FH002 Shen	3,509,424	Ordinary shares denominated in Renminbi	3,509,424
China Life Insurance Company Limited-Traditional-General Insurance Product-005L-CT001 Shen	3,010,539	Ordinary shares denominated in Renminbi	3,010,539
Da Cheng Fund Management Co., Ltd.	2,735,021	Ordinary shares denominated in Renminbi	2,735,021
China Life Insurance (Group) Company-Traditional-General Insurance Product	2,604,118	Ordinary shares denominated in Renminbi	2,604,118

Information on Shareholdings of Top Ten Shareholders without Selling Restrictions

Name of shareholder	Number of shares held without selling restriction	Type of shares	Number	
Description on connection and concerted action among the aforesaid shareholders				
			(1) On 2 January 2004, Joicare and Begol (保科力) entered into a share transfer and custody agreement and a share pledge agreement, pursuant to which the 6,059,428 original domestic legal person shares (the number of shares was increased to 7,877,256 shares after the Company's implementation of 2014 Equity Distribution) of the Company held by Begol have been directly transferred, entrusted and pledged to Joicare; (2) Haibin Pharmaceutical (海濱製藥) is Joicare's directly and indirectly wholly owned controlling subsidiary; (3) China Life Insurance Company Limited – Dividend – Individual Dividend – 005L-FH002 Shen and China Life Insurance Company Limited – Traditional – General Insurance Product – 005L-CT001 Shen are insurance products issued by China Life Insurance Company Limited; (4) China Life Insurance (Group) Company is the controlling shareholder of China Life Insurance Company Limited and (5) the Company is not aware of any connected relationship between 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 shareholders of ordinary shares involved in the margin financing and securities lending business (if any)			Not Applicable	

Whether any of the top ten shareholders of ordinary shares and the top ten shareholders of non-restricted ordinary shares of the Company conducted any transactions on agreed repurchases during the Reporting Period

YES NO

The top ten shareholders of ordinary shares and the top ten shareholders of non-restricted ordinary shares of the Company did not conduct any transactions on agreed repurchases during the Reporting Period.

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

Applicable Not Applicable

SECTION III IMPORTANT EVENTS

I. Information on and reasons for the changes in major financial data 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)	Amount at beginning of the period (RMB)	Year- on-year change (%)	Notes
Cash at bank and in hand	3,037,844,939.21	2,061,923,004.89	47.33%	Mainly due to the redemption in the current period of capital-guaranteed financial products subscribed for with idle proceeds from last year, and the earnest money received for transfer of equity interests of subsidiaries.
Bills receivables	759,050,168.39	512,986,726.32	47.97%	Mainly due to the increase in payment for goods settled with bills as a result of growth of sales.
Prepayments	127,944,821.74	87,734,518.90	45.83%	Mainly due to the increase in prepayments for procurement of materials.
Other receivables	64,954,812.91	48,808,469.78	33.08%	Mainly due to the increase in staff advance and reserve fund.
Other current assets	289,600,674.52	689,748,423.34	-58.01%	Mainly due to the redemption in the current period of capital-guaranteed financial products subscribed for with idle proceeds from last year.
Bills payables	521,292,212.11	323,795,509.11	60.99%	Mainly due to the increase in payment for goods settled with bills.
Receipts in advance	465,617,795.40	78,685,240.60	491.75%	Mainly due to the earnest money received for transfer of equity interests of subsidiaries.
Employee benefits payables	62,504,354.56	113,279,912.95	-44.82%	Mainly due to the payment of year-end performance bonus for last year.
Taxes payables	190,976,479.69	292,306,699.79	-34.67%	Mainly due to the decrease in value-added tax payable.
Interest payables	6,229,041.10	3,812,602.74	63.38%	Mainly due to the increase in interest payables for the first tranche of short-term financing bills issued in 2016.
Other comprehensive income	409,808.89	602,767.19	-32.01%	Mainly due to the change of fair value of available-for-sale financial assets and foreign exchange rate.

2. Substantial changes of items in the consolidated income statement and reasons thereof

Item	Amount of the current period (RMB)	Amount of same period of last year (RMB)	Year-on-year change (%)	Notes
Administrative expenses	186,474,005.86	137,745,440.84	35.38%	Mainly due to the increase in research and development input.
Financial expenses	-27,895.35	5,096,808.61	-100.55%	Mainly due to the decrease in borrowings and interests expenses, as well as the increase in bank deposits and interests income.
Impairment loss of assets	7,868,034.38	4,741,782.08	65.93%	Mainly due to the increase in provision for impairment of inventories.
Gains from changes in fair value	1,248,575.43	-128,050.75	1,075.06%	Mainly due to the fluctuation of the price of shares held as at the end of the current period.
Non-operating expenses	3,718,750.22	408,494.35	810.36%	Mainly due to the increase in loss from disposal of fixed assets and donation expenses.
Profit or loss to non-controlling shareholders	23,867,888.93	17,850,491.44	33.71%	Mainly due to the increase in profit of non-wholly owned subsidiaries.

3. Substantial changes of items in the consolidated cash flow statement and reasons thereof

Item	Amount of the current period (RMB)	Amount of same period of last year (RMB)	Year-on-year change (%)	Notes
Net cash flows from operating activities	257,702,732.97	138,284,023.02	86.36%	Mainly due to the increase in sales proceeds for the current period.
Sub-total of cash inflows from investing activities	807,214,266.19	63,091,951.26	1,179.43%	Mainly due to the redemption in the current period of capital-guaranteed financial products subscribed for with idle proceeds from last year, and the earnest money received for transfer of equity interests of subsidiaries.
Net cash flows from investing activities	734,633,928.67	-34,439,122.17	2,233.14%	Mainly due to the redemption in the current period of capital-guaranteed financial products subscribed for with idle proceeds from last year, and the earnest money received for transfer of equity interests of subsidiaries.
Sub-total of cash inflows from financing activities	16,515,550.29	100,591,749.50	-83.58%	Mainly due to the decrease in borrowings in the current period.
Sub-total of cash outflows from financing activities	31,082,173.94	115,235,333.36	-73.03%	Mainly due to the decrease in repayment of borrowings in the current period.
Effect of foreign exchange rate changes on cash and cash equivalents	-1,848,103.67	707,816.23	-361.10%	Mainly due to the increase in exchange loss as a result of exchange rate fluctuations in the current period.
Net increase in cash and cash equivalents	975,921,934.32	89,909,133.22	985.45%	Mainly due to the increase in sales proceeds, redemption of capital-guaranteed financial products subscribed for with idle proceeds from last year, and the earnest money received for transfer of equity interests of subsidiaries in the current period.

II. Analysis and description on the progress of important events, their impacts and solutions

Applicable Not Applicable

Summary of important events	Date of disclosure	Search index of interim report disclosure website
<p>As the Xiangzhou District Livzon Group Transformation Project Update Unit Planning Schemes (Amendments to Regulatory Plan) submitted by the Company has been approved by People's Government of Zhuhai Municipality, Guwei Fortune Investment Group Co., Ltd., the Company and Livzon Group Livzon Pharmaceutical Factory (the Company's wholly-owned subsidiary), reached an agreement on the cooperation in the Transformation Project and entered into the "Letter of Intent for the Cooperation in the Transformation Project at Livzon's Former Location near Guihua North Road" in Zhuhai on 20 January 2017 for the purpose of facilitating the Transformation Project.</p>	21 January 2017	cninfo (www.cninfo.com.cn): "Announcement of Livzon Pharmaceutical Group Inc. on Entering into Proposed Agreement for Project Cooperation" (Announcement no: 2017-002)
<p>On 8 February 2017, the Company completed the repurchase and cancellation of a total of 133,274 restricted shares, representing 0.03% of the total share capital of 425,730,126 shares prior to the repurchase and cancellation. The repurchase and cancellation of restricted shares involved 14 individuals: nine of them held 103,974 shares under first grant which were repurchased at RMB18.81/share; five of them held 29,300 shares under reserved grant which were repurchased at RMB24.11/share. The Company made a payment totaled RMB2,662,173.94 for the repurchase. Following the completion of repurchase and cancellation, the total share capital of the Company was reduced to 425,596,852 shares.</p>	9 February 2017	cninfo (www.cninfo.com.cn): "Announcement of Livzon Pharmaceutical Group Inc. on Completion of Repurchase and Cancellation of Part of Restricted Shares" (Announcement no: 2017-004)
<p>The Company completed the industrial and commercial registration for the change of registered capital with Guangdong Province Zhuhai Administration for Industry and Commerce (the "Administration for Industry and Commerce") and obtained the "Notice of Approval of Registration Change" and the renewed "Business License" from the Administration for Industry and Commerce. The registered capital of the Company was changed from RMB396,889,547 to RMB396,631,923.</p>	15 February 2017	cninfo (www.cninfo.com.cn): "Announcement of Livzon Pharmaceutical Group Inc. on Completion of Industrial and Commercial Registration for the Change of Registered Capital" (Announcement no: 2017-005)

Summary of important events	Date of disclosure	Search index of interim report disclosure website
<p>Given that the Company repurchased and cancelled 133,274 restricted shares granted but still locked-up as held by the resigned Incentive Participants, on 20 February 2017, the Company convened the 34th meeting of the eighth session of the Board to consider and approve the “Resolution on Reduction of Registered Capital” and “Resolution on Amendments to Articles of Association”. Pursuant to which, the total share capital was reduced from 425,730,126 shares to 425,596,852 shares and the registered capital was reduced from RMB425,730,126 to RMB425,596,852, and the “Articles of Association” were amended accordingly.</p>	21 February 2017	<p>cninfo (www.cninfo.com.cn): “Announcement of Livzon Pharmaceutical Group Inc. on Resolution of 34th Meeting of Eighth Session of the Board” (Announcement no: 2017-006)</p>
<p>On 6 March 2017, the Company redeemed the China Zheshang Bank “Smart deposit” product subscribed for with idle proceeds on 26 October 2016. The principal of the product was RMB100 million and the investment gain was RMB811,700. The Company also redeemed the Xiamen International Bank “Bubuweiying” structured deposit (“步步為贏”結構性存款) subscribed for with idle proceeds on 26 October 2016. The principal of the product was RMB300 million and the investment gain was RMB3.2746 million. The Company redeemed capital-guaranteed bank wealth management products totaled RMB400 million and recorded investment gain of RMB4.0863 million. The principal and proceeds of the redemption have been transferred to the account for proceeds of the Company.</p>	8 March 2017	<p>cninfo (www.cninfo.com.cn): “Announcement of Livzon Pharmaceutical Group Inc. on Redemption of Certain Capital-Guaranteed Bank Wealth Management Product” (Announcement no: 2017-008)</p>
<p>In order to further enhance the utilization efficiency of idle fund, the Company continued to place the idle proceeds in an amount of RMB100 million at Guangzhou Branch of China Zheshang Bank Co., Ltd. as 7-day call deposit. The deposit is expected to have an annual interest rate of 1.8900% accrued from 14 March 2017. The Company also placed the idle proceeds in an amount of RMB300 million at Zhuhai Branch of Xiamen International Bank Co., Ltd. as 7-day call deposit. The deposit is expected to have an annual interest rate of 2.0925% accrued from 14 March 2017.</p>	15 March 2017	<p>cninfo (www.cninfo.com.cn): “Announcement of Livzon Pharmaceutical Group Inc. on Progress of Use of Idle Proceeds in Cash Management” (Announcement no: 2017-009)</p>

Summary of important events	Date of disclosure	Search index of interim report disclosure website
<p>On 24 March 2017, the Company convened the 35th meeting of the eighth session of the Board to consider and approve the “Resolution on Use of Bankers’ Acceptance to Finance Projects Invested with Proceeds and Replacement with Proceeds in Equal Amount” and the “Resolution on Adjustment of Plan of Projects Invested with Proceeds from Non-public Issue”. Pursuant to which, it was agreed that the Company (1) on the basis of not affecting the normal implementation of projects invested with proceeds, may use bankers’ acceptance to finance projects invested with proceeds, including but not limited to equipment procurement, factory construction, laboratory renovation, procurement of research materials, and transfer an equal amount of funds from the special account for proceeds to the general settlement account; (2) make adjustment to the major investment plans, namely the “Deeper Development and Industrialization Upgrade of Innovative Ilaprazole Series” and the capital injection to Zhuhai Livzon MAB Biological Technology Company Ltd. for investment in “Research & Development and Industrialization of Therapeutic Antibody-based Drugs”.</p>	25 March 2017	<p>cninfo (www.cninfo.com.cn): “Announcement of Livzon Pharmaceutical Group Inc. on Use of Bankers’ Acceptance to Finance Projects Invested with Proceeds and Replacement with Proceeds in Equal Amount” (Announcement no: 2017-014) and “Announcement of Livzon Pharmaceutical Group Inc. on Adjustment of Plan of Projects Invested with Proceeds from Non-public Issue” (Announcement no: 2017-017)</p>
<p>On 28 March 2017, the Company convened the 36th meeting of the eighth session of the Board to consider and approve the “Resolution on Granting Shares to be Unlocked during the Second Unlocking Period of the First Grant under the Restricted Shares Incentive Scheme of the Company” and the “Resolution on Repurchase and Cancellation of Locked Restricted Shares Granted to Incentive Participants No Longer Qualified for Incentive”. Pursuant to which, it was agreed that the Company will (1) carry out unlocking of the second unlocking period of the first grant of restricted shares in accordance with the relevant provisions of the share incentive scheme. A total of 427 incentive participants were qualified for unlocking and 3,177,213 underlying restricted shares were qualified for application of unlocking and listing, representing 44.70% of the total unlocked restricted shares under the share incentive scheme and 0.75% of the existing total share capital of the Company; (2) repurchase and cancel a total of 34,260 shares, comprising 6,240 restricted shares granted but not yet unlocked as held by one incentive participant under the first grant who is no longer qualified for the incentive and 28,020 restricted shares granted but not yet unlocked as held by five incentive participants under reserved grant, at the repurchase prices of RMB18.81/share and RMB24.11/share respectively. The total repurchase price payable by the Company was RMB792,936.60.</p>	30 March 2017	<p>cninfo (www.cninfo.com.cn): “Announcement of Livzon Pharmaceutical Group Inc. on Resolution of 36th Meeting of Eighth Session of the Board” (Announcement no: 2017-018), “Announcement of Livzon Pharmaceutical Group Inc. on Granting Shares to be Unlocked during the Second Unlocking Period of the First Grant under the Restricted Shares Incentive Scheme” (Announcement no: 2017-020) and “Announcement of Livzon Pharmaceutical Group Inc. on Repurchase and Cancellation of Locked Restricted Shares Granted to Incentive Participants No Longer Qualified for Incentive” (Announcement no: 2017-021)</p>

Summary of important events	Date of disclosure	Search index of interim report disclosure website
On 30 March 2017, the Company completed the industrial and commercial registration for the change of registered capital with the Administration for Industry and Commerce and obtained the “Notice of Approval of Registration Change” and the renewed “Business License” from the Administration for Industry and Commerce. Following the completion of the change, the registered capital of the Company was changed from RMB396,631,923 to RMB425,730,126.	31 March 2017	cninfo (www.cninfo.com.cn): “Announcement of Livzon Pharmaceutical Group Inc. on Completion of Industrial and Commercial Registration for the Change of Registered Capital” (Announcement no: 2017-023)

III. Undertakings given by the Company’s actual controller, shareholders, related parties, acquirer, the Company and other parties to commitments which are yet to be fulfilled during the Reporting Period

Applicable Not applicable

IV. Estimates on the operating results from January to June 2017

Warning in relation to the probable loss of accumulated net profit from the beginning of the year to the end of the following reporting period or substantial change 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	Securities code	Securities 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 items	Sources of shares
Shares	00135	Kunlun Energy	4,243,647.64	1,000,000.00	1,000,000.00	6,392,088.00	1,247,610.00	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	619,573.00	619,573.00	831,874.45	965.43	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	1,619,573.00	1,619,573.00	7,223,962.45	1,248,575.43		
Disclosure date of the Board’s announcement on review of securities investments			Not applicable						
Disclosure date of the general meeting announcement on review of securities investments (if any)			Not applicable						

VI. Information on derivatives investment

Applicable Not Applicable

During the Reporting Period, the Company had no derivatives investment.

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
10 January 2017	On-site investigation	Institution	Please refer to the Investor Relationship Event Record Form dated 10 January 2017 which the Company posted on the cninfo website on 11 January 2017 for details of said research
18 January 2017	On-site investigation	Institution	Please refer to the Investor Relationship Event Record Form (I) dated 18 January 2017 which the Company posted on the cninfo website on 19 January 2017 for details of said research
18 January 2017	On-site investigation	Institution	Please refer to the Investor Relationship Event Record Form (II) dated 18 January 2017 which the Company posted on the cninfo website on 19 January 2017 for details 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 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	31 March 2017	31 December 2016
Current assets:		
Cash at bank and in hand	3,037,844,939.21	2,061,923,004.89
Financial assets at fair value and changes accounted for through profit or loss of the current period	7,223,962.45	6,019,067.02
Derivative financial assets	–	–
Bills receivables	759,050,168.39	512,986,726.32
Accounts receivables	1,455,184,528.01	1,464,366,229.78
Prepayments	127,944,821.74	87,734,518.90
Interest receivables	–	–
Dividends receivables	–	–
Other receivables	64,954,812.91	48,808,469.78
Financial assets purchased under resale agreements	–	–
Inventories	1,126,068,974.22	1,099,199,376.02
Assets classified as held-for-sale	–	–
Non-current assets due within one year	–	–
Other current assets	289,600,674.52	689,748,423.34
Total current assets	6,867,872,881.45	5,970,785,816.05

Item	31 March 2017	31 December 2016
Non-current assets:		
Entrusted loans and advances granted	–	–
Available-for-sale financial assets	146,053,450.19	147,294,165.97
Held-to-maturity investments	–	–
Long-term receivables	–	–
Long-term equity investments	90,323,536.24	91,109,734.79
Investment properties	–	–
Fixed assets	3,319,852,663.20	3,340,977,856.91
Construction in progress	191,081,521.25	201,733,854.47
Construction supplies	106,394.48	–
Disposal of fixed assets	–	–
Bearer biological assets	–	–
Oil and gas assets	–	–
Intangible assets	292,650,238.15	298,903,312.95
Development expenses	14,899,053.82	14,821,797.96
Goodwill	103,040,497.85	103,040,497.85
Long-term unamortized expenses	95,654,563.49	92,477,000.88
Deferred income tax asset	126,442,429.94	153,099,708.49
Other non-current assets	86,294,010.77	115,019,206.09
Total non-current assets	4,466,398,359.38	4,558,477,136.36
Total assets	11,334,271,240.83	10,529,262,952.41

Item	31 March 2017	31 December 2016
Current liabilities:		
Short-term borrowings	–	–
Financial liabilities at fair value and changes accounted for through profit or loss of the current period	–	–
Derivative financial liabilities	–	–
Bills payables	521,292,212.11	323,795,509.11
Accounts payables	531,534,272.12	587,715,946.84
Receipts in advance	465,617,795.40	78,685,240.60
Employee remuneration payables	62,504,354.56	113,279,912.95
Taxes payables	190,976,479.69	292,306,699.79
Interest payables	6,229,041.10	3,812,602.74
Dividends payables	2,531,984.46	2,531,984.46
Other payables	1,698,459,698.03	1,558,113,278.30
Liabilities classified as held-for-sale	–	–
Non-current liabilities due within one year	400,000.00	400,000.00
Other current liabilities	350,000,000.00	350,000,000.00
Total current liabilities	3,829,545,837.47	3,310,641,174.79
Non-current liabilities:		
Long-term borrowings	700,000.00	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	90,933,910.11	94,997,993.67
Deferred income tax liabilities	17,967,583.99	17,285,280.40
Other non-current liabilities	–	–
Total non-current liabilities	109,601,494.10	112,983,274.07
Total liabilities	3,939,147,331.57	3,423,624,448.86

Item	31 March 2017	31 December 2016
Shareholders' equity:		
Share capital	425,596,852.00	425,730,126.00
Other equity instruments	–	–
Of which: Preferred shares	–	–
Perpetual shares	–	–
Capital reserve	1,822,967,516.47	1,820,309,052.12
Less: Treasury shares	137,659,631.46	140,321,805.40
Other comprehensive income	409,808.89	602,767.19
Special reserve	–	–
Surplus reserve	587,255,162.90	587,255,162.90
General risk provision	–	–
Unallocated earnings	4,087,423,198.46	3,812,412,101.62
Total equity attributable to shareholders of the parent company	6,785,992,907.26	6,505,987,404.43
Non-controlling interests	609,131,002.00	599,651,099.12
Total shareholders' equity	7,395,123,909.26	7,105,638,503.55
Total liabilities and shareholders' equity	11,334,271,240.83	10,529,262,952.41

**Chairman of the Board and
legal representative:**
Zhu Baoguo

**Vice Chairman and
President:**
Tao Desheng

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

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

2. Balance Sheet of the Parent Company

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

Item	31 March 2017	31 December 2016
Current assets:		
Cash at bank and in hand	2,605,171,806.12	1,606,485,665.85
Financial assets at fair value and changes accounted for through profit or loss of the current period	–	–
Derivative financial assets	–	–
Bills receivables	441,043,509.42	378,167,573.35
Accounts receivables	705,273,347.76	750,555,294.60
Prepayments	10,602,042.45	7,714,173.54
Interest receivables	–	–
Dividends receivables	177,917,013.08	177,917,013.08
Other receivables	1,558,877,325.72	1,597,868,171.05
Inventories	308,324,672.27	544,807,287.12
Assets classified as held-for-sale	–	–
Non-current assets due within one year	–	–
Other current assets	250,000,000.00	659,787,830.58
Total current assets	6,057,209,716.82	5,723,303,009.17

Item	31 March 2017	31 December 2016
Non-current assets:		
Available-for-sale financial assets	145,553,450.19	146,794,165.97
Held-to-maturity investments	–	–
Long-term receivables	–	–
Long-term equity investments	2,158,533,499.76	2,129,168,228.64
Investment properties	–	–
Fixed assets	55,568,285.39	57,527,592.11
Construction in progress	–	–
Construction supplies	–	–
Disposal of fixed assets	–	–
Bearer biological assets	–	–
Oil and gas assets	–	–
Intangible assets	24,794,759.17	27,692,003.80
Development expenses	14,899,053.82	14,821,797.96
Goodwill	–	–
Long-term unamortized expenses	1,136,515.63	120,000.00
Deferred income tax asset	23,965,459.71	23,188,326.48
Other non-current assets	12,160,000.00	13,151,166.62
Total non-current assets	2,436,611,023.67	2,412,463,281.58
Total assets	8,493,820,740.49	8,135,766,290.75

Item	31 March 2017	31 December 2016
Current liabilities:		
Short-term borrowings	–	–
Financial liabilities at fair value and changes accounted for through profit or loss of the current period	–	–
Derivative financial liabilities	–	–
Bills payables	522,009,417.58	357,658,571.27
Accounts payables	726,974,796.23	959,772,950.49
Receipts in advance	424,415,136.73	27,009,355.74
Employee remuneration payables	14,790,784.61	21,646,582.84
Taxes payables	37,017,739.32	33,984,535.88
Interest payables	6,229,041.10	3,812,602.74
Dividends payables	20,174.46	20,174.46
Other payables	2,853,480,135.57	2,818,149,364.34
Liabilities classified as held-for-sale	–	–
Non-current liabilities due within one year	–	–
Other current liabilities	350,000,000.00	350,000,000.00
Total current liabilities	4,934,937,225.60	4,572,054,137.76

Item	31 March 2017	31 December 2016
Non-current liabilities:		
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	28,983,338.51	28,983,338.51
Deferred income tax liabilities	4,213,858.44	4,026,425.14
Other non-current liabilities	–	–
Total non-current liabilities	33,197,196.95	33,009,763.65
Total liabilities	4,968,134,422.55	4,605,063,901.41
Shareholders' equity:		
Share capital	425,596,852.00	425,730,126.00
Other equity instruments	–	–
Of which: Preferred shares	–	–
Perpetual shares	–	–
Capital reserve	1,944,494,824.82	1,941,836,360.47
Less: Treasury shares	137,659,631.46	140,321,805.40
Other comprehensive income	9,395,891.08	7,794,249.49
Special reserve	–	–
Surplus reserve	382,292,109.32	382,292,109.32
General risk provision	–	–
Unallocated earnings	901,566,272.18	913,371,349.46
Total shareholders' equity	3,525,686,317.94	3,530,702,389.34
Total liabilities and shareholders' equity	8,493,820,740.49	8,135,766,290.75

Chairman of the Board and
legal representative:
Zhu Baoguo

Vice Chairman
and President:
Tao Desheng

Person-in-charge of
accounting work:
Si Yanxia

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

3. Consolidated Income Statement

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

Item	For the Reporting Period	For the previous period
I. Total operating income	2,126,032,700.53	1,745,574,028.94
Of which: Operating income	2,126,032,700.53	1,745,574,028.94
Interest income	–	–
Premium earned	–	–
Handling charges and commission income	–	–
II. Total operating costs	1,812,425,718.46	1,504,021,873.41
Of which: Operating costs	730,892,682.29	623,349,764.26
Taxes and surcharges	32,881,046.68	30,218,463.31
Selling expenses	854,337,844.60	702,869,614.31
Administrative expenses	186,474,005.86	137,745,440.84
Financial expenses	–27,895.35	5,096,808.61
Impairment loss of assets	7,868,034.38	4,741,782.08
Add: Gains from changes in fair value (“–” represents losses)	1,248,575.43	–128,050.75
Investment income (“–” represents losses)	3,300,067.64	2,571,506.66
Of which: Income from investment in associates and joint ventures	–786,198.55	2,099,206.66

Item	For the Reporting Period	For the previous period
III. Operating profit (“–” represents losses)	318,155,625.14	243,995,611.44
Add: Non-operating income	43,652,049.22	50,716,388.56
Of which: Gains from disposal of non-current assets	32,933.65	218,520.31
Less: Non-operating expenses	3,718,750.22	408,494.35
Of which: Losses from disposal of non-current assets	331,614.75	142,502.22
IV. Total profit (“–” represents total losses)	358,088,924.14	294,303,505.65
Less: Income tax expenses	59,209,938.37	46,341,120.39
V. Net profit (“–” represents net losses)	298,878,985.77	247,962,385.26
Net profit attributable to the shareholders of the parent company	275,011,096.84	230,111,893.82
Profit or loss to the non-controlling shareholders	23,867,888.93	17,850,491.44
VI. Other comprehensive income after tax, net	–180,944.35	–4,966,646.32
Other comprehensive income after tax attributable to the shareholders of the parent company, net	–192,958.30	–3,416,984.80
(I) Other comprehensive income subsequently not to be reclassified into profit or loss	–	–
1. Changes of net liabilities or net assets caused by re-measurement of defined benefit plans	–	–
2. Share of other comprehensive income of investees subsequently not to be reclassified into profit or loss under the equity method	–	–

Item	For the Reporting Period	For the previous period
(II) Other comprehensive income subsequently to be reclassified into profit or loss	-192,958.30	-3,416,984.80
1. Share of other comprehensive income of investees subsequently to be reclassified into profit or loss under the equity method	-	-
2. Profit and loss from changes of fair value of available-for-sale financial assets	1,601,641.59	-2,542,763.25
3. Profit or loss from reclassification of held-to-maturity investment to 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	-1,794,599.89	-633,246.55
6. Others	-	-240,975.00
Other comprehensive income after tax attributable to non-controlling shareholders, net	12,013.95	-1,549,661.52
VII. Total comprehensive income	298,698,041.42	242,995,738.94
Total comprehensive income attributable to the shareholders of the parent company	274,818,138.54	226,694,909.02
Total comprehensive income attributable to non-controlling shareholders	23,879,902.88	16,300,829.92
VIII. Earnings per share:		
(I) Basic earnings per share	0.66	0.60
(II) Diluted earnings per share	0.65	0.59

Chairman of the Board and
legal representative:
Zhu Baoguo

Vice Chairman
and President:
Tao Desheng

Person-in-charge of
accounting work:
Si Yanxia

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

4. *Income Statement of the Parent Company*

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

Item	For the Reporting Period	For the previous period
I. Operating income	1,270,974,286.46	1,066,419,549.08
Less: Operating costs	730,441,254.54	544,383,098.37
Taxes and surcharges	12,732,549.28	10,601,606.80
Selling expenses	534,146,335.87	462,705,353.63
Administrative expenses	65,939,649.97	45,307,837.88
Financial expenses	-10,798,096.14	-6,788,126.68
Impairment loss of assets	686,875.98	-561,367.81
Add: Gains from changes in fair value (“-” represents losses)		
Investment income (“-” represents losses)	25,051,537.31	31,809,601.56
Of which: Income from investment in associates and joint ventures	-634,728.88	-40,398.44
II. Operating profit (“-” represents losses)	-37,122,745.73	42,580,748.45
Add: Non-operating income	18,554,640.20	38,357,968.00
Of which: Gain from disposal of non-current assets		
Less: Non-operating expenses	281,621.55	27,549.42
Of which: Losses from disposal of non-current assets	31,051.67	27,549.42
III. Total profit (“-” represents total losses)	-18,849,727.08	80,911,167.03
Less: Income tax expenses	-7,044,649.80	6,382,323.24

Item	For the Reporting Period	For the previous period
IV. Net profit (“-” represents net losses)	-11,805,077.28	74,528,843.79
V. Other comprehensive income after tax, net	1,601,641.59	-1,175,655.05
(I) Other comprehensive income subsequently not to be reclassified into profit or loss	-	-
1. Changes of net liabilities or net assets caused by remeasurement of defined benefit plans	-	-
2. Share of other comprehensive income of investees subsequently not to be reclassified into profit or loss under the equity method	-	-
(II) Other comprehensive income subsequently to be reclassified into profit or loss	1,601,641.59	-1,175,655.05
1. Share of other comprehensive income of investees subsequently to be reclassified into profit or loss under the equity method	-	-
2. Profit and loss from changes of fair value of available-for-sale financial assets	1,601,641.59	-934,680.05
3. Profit or loss from reclassification of held-to-maturity investment to 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	-	-240,975.00
VI. Total comprehensive income	-10,203,435.69	73,353,188.74

Chairman of the Board and
legal representative:
Zhu Baoguo

Vice Chairman
and President:
Tao Desheng

Person-in-charge of
accounting work:
Si Yanxia

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

5. Consolidated Cash Flow Statement

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

Item	For the Reporting Period	For the previous period
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	2,146,546,387.17	1,734,553,745.58
Refund of taxes	9,335,138.90	17,954,200.87
Cash received relating to other operating activities	63,810,129.83	63,470,693.03
Sub-total of cash inflows from operating activities	2,219,691,655.90	1,815,978,639.48
Cash paid for purchasing goods and services	513,382,016.94	462,363,238.92
Cash paid to and for employees	204,730,829.81	170,862,569.34
Cash paid for all types of taxes	348,757,243.26	271,184,996.61
Cash paid relating to other operating activities	895,118,832.92	773,283,811.59
Sub-total of cash outflows from operating activities	1,961,988,922.93	1,677,694,616.46
Net cash flows from operating activities	257,702,732.97	138,284,023.02
II. Cash flows from investing activities:		
Cash received from disposal of investments	403,125,000.00	–
Cash received from return on investments	4,086,266.19	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,000.00	58,095,050.00
Net cash received from disposal of subsidiaries and other operating entities	–	–
Cash received relating to other investing activities	400,000,000.00	4,996,901.26
Sub-total of cash inflows from investing activities	807,214,266.19	63,091,951.26
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	72,580,337.52	77,956,073.43
Cash paid for investments	–	19,575,000.00

Item	For the Reporting Period	For the previous period
Cash paid relating to other investing activities	–	–
Sub-total of cash outflows from investing activities	72,580,337.52	97,531,073.43
Net cash flows from investing activities	734,633,928.67	–34,439,122.17
III. Cash flows from financing activities:		
Cash received from investors	15,000,000.00	–
Of which: Cash received from non-controlling shareholders of subsidiaries	15,000,000.00	–
Cash received from borrowings	–	80,000,000.00
Cash received from bonds issuance	–	–
Cash received relating to other financing activities	1,515,550.29	20,591,749.50
Sub-total of cash inflows from financing activities	16,515,550.29	100,591,749.50
Cash repayments of borrowings	–	80,000,000.00
Cash paid for dividends, profit distributions or interest repayments	28,420,000.00	35,235,333.36
Of which: Dividends and profits paid to non-controlling shareholders of subsidiaries	23,520,000.00	31,850,000.00
Cash paid relating to other financing activities	2,662,173.94	–
Sub-total of cash outflow from financing activities	31,082,173.94	115,235,333.36
Net cash flows from financing activities	–14,566,623.65	–14,643,583.86
IV. Effect of foreign exchange rate changes on cash and cash equivalents	–1,848,103.67	707,816.23
V. Net increase in cash and cash equivalents	975,921,934.32	89,909,133.22
Add: Balance of cash and cash equivalents at the beginning of the period	2,061,923,004.89	767,093,403.45
VI. Balance of cash and cash equivalents at the end of the period	3,037,844,939.21	857,002,536.67

Chairman of the Board and
legal representative:
Zhu Baoguo

Vice Chairman
and President:
Tao Desheng

Person-in-charge of
accounting work:
Si Yanxia

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

6. Cash Flow Statement of the Parent Company

Prepared by: Livzon Pharmaceutical Group Inc.

Amount denominated: RMB

Item	For the Reporting Period	For the previous period
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	1,446,759,360.53	1,199,415,898.36
Refund of taxes	–	–
Cash received relating to other operating activities	43,796,748.78	54,160,102.39
Sub-total of cash inflows from operating activities	1,490,556,109.31	1,253,576,000.75
Cash paid for purchasing goods and services	832,264,302.55	537,263,793.31
Cash paid to and for employees	37,149,796.76	25,689,541.00
Cash paid for all types of taxes	93,030,193.57	105,924,095.95
Cash paid relating to other operating activities	509,302,394.34	498,639,239.43
Sub-total of cash outflows from operating activities	1,471,746,687.22	1,167,516,669.69
Net cash flows from operating activities	18,809,422.09	86,059,331.06
II. Cash flows from investing activities:		
Cash received from disposal of investments	403,125,000.00	–
Cash received from return on investments	25,686,266.19	31,850,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,000.00	62,000.00
Net cash received from disposal of subsidiaries and other operating entities	–	–
Cash received relating to other investing activities	400,000,000.00	–
Sub-total of cash inflows from investing activities	828,814,266.19	31,912,000.00
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	2,338,379.43	1,862,507.06
Cash paid for investments	30,000,000.00	–
Net cash paid for acquisition of subsidiaries and other operating entities	–	–
Cash paid relating to other investing activities	–	–
Sub-total of cash outflows from investing activities	32,338,379.43	1,862,507.06
Net cash flows from investing activities	796,475,886.76	30,049,492.94

Item	For the Reporting Period	For the previous period
III. Cash flows from financing activities:		
Cash received from investors	–	–
Cash received from borrowings	–	–
Borrowings received from subsidiaries	363,028,673.82	176,388,546.75
Cash received from bonds issuance	–	–
Cash received relating to other financing activities	1,515,550.29	20,591,749.50
Sub-total of cash inflows from financing activities	364,544,224.11	196,980,296.25
Cash repayments of borrowings	–	–
Cash paid for dividends, profit distributions or interest repayments	–	–
Cash paid relating to other financing activities	181,142,228.25	251,000,832.68
Advances to subsidiaries		
Sub-total of cash outflow from financing activities	181,142,228.25	251,000,832.68
Net cash flows from financing activities	183,401,995.86	–54,020,536.43
IV. Effect of foreign exchange rate changes on cash and cash equivalents	–1,164.44	–1,003.61
V. Net increase in cash and cash equivalents	998,686,140.27	62,087,283.96
Add: Balance of cash and cash equivalents at the beginning of the period	1,606,485,665.85	677,465,238.87
VI. Balance of cash and cash equivalents at the end of the period	2,605,171,806.12	739,552,522.83

Chairman of the Board and
legal representative:
Zhu Baoguo

Vice Chairman
and President:
Tao Desheng

Person-in-charge of
accounting work:
Si Yanxia

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

II. AUDITOR'S REPORT

Whether the first quarterly report is audited

YES NO

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

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

27 April 2017

As at the date of this report, 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*