

Summary of 2007 Semi-annual Report of Livzon Pharmaceutical Group Inc

§ 1 Important notice

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

This summary is taken from the full text of the semi-annual report, which is disclosed in the Juchao website (www.cninfo.com.cn). For the more detailed information, the investors will have to refer to the full text of the semi-annual report.

1.2 No directors, supervisors and senior executives have any guaranty or objection to the authenticity, accuracy and completeness of the content.

1.3 All directors were present in the meeting.

1.4 The Financial Statements have been audited, and for which Reanda Certified Public Accountants Co., Ltd has been issued the mid-term qualified opinions.

1.5 Mr. Zhu Baoguo, principal of the Company, Mr. An Ning, the principal in charge of accounting, and Ms. Si Yanxia, the principal of the Accounting Department hereby declare: We guarantee the authenticity and completeness of the Financial Report in this report

§ 2 Brief introduction of the Company

2.1 Brief introduction of the Company

Stock abbreviation	Livzon Group and Livzon B	
Stock code	000513、 200513	
Stock exchange for listing of the Company	Shenzhen Stock Exchange	
	Secretary of Board of Directors	Representative of stock affairs
Name	Wang Wuping	
Contact address	Livzon Building, Guihua North Road, Gongbei, Zhuhai	
Telephone	(0756)8135888	
Fax	(0756)8886002	
Email	wangwuping@livzon.com.cn	

2.2 Main Accounting Data and Index

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2.2.1 Main Accounting Data and Financial Index

Unit : RMB'000

	<u>2007</u> <u>Jan-Jun</u>	<u>2006</u> <u>Jan-Jun</u>
	RMB'000	RMB'000
Revenue	815,070	805,918
Gross profit	350,959	336,012
Share of profit of associates	(1,303)	(529)
Profit before tax	281,189	84,850
Income tax expense	(40,843)	(10,246)
Profit after tax	240,346	74,604
Minority interests	6,354	4,483
Equity holders of the parent company	233,992	70,121
Net cash flow from operating activities	109,043	63,028
Net increase in cash and cash equivalents	5,974	51,111
Earnings per share – basic	RMB0.76	RMB0.23
	<u>30,Jun. 2007</u>	<u>31,Dec.2006</u>
	RMB'000	RMB'000
Share capital	306,035	306,035
Total equity and liabilities	2,710,703	2,504,154

2.2.2 Difference between domestic and international accounting standards

Applicable Inapplicable

Unit : RMB'000

	Domestic accounting principle	International accounting principle	Difference
Net profit	238,730	240,346	1,616
Net asset	1,688,850	1,680,322	-8,528
Causes for the difference	The causes for net profit difference: according to the International Accounting Standards, to add RMB 1.616 million Yuan for the goodwill effect; according to the International Accounting Standards, to deduct RMB 25.353 million Yuan for the interest capitalization of property, plant and equipment; to deduct RMB 2.89 million Yuan for the depreciation of property, plant and equipment; to add RMB 19.715 million Yuan for the goodwill effect.		

§ 3 Change of share capital and particulars of shareholders

3.1 Table of share capital changes

Applicable Inapplicable

Unit : share

	Before this change		Increase(+) or decrease(-)					After this change	
	Quantity	Percentage	Issuing of new shares	Bonus shares	Shares transferred from public reserve fund	Others	Total	Quantity	Percentage
I. Shares with trading restriction	75,047,147	24.52%				33,566,430	33,566,430	108,613,577	35.49%
1.State-owned shares									
2.Shares held by nation-owned legal person	6,640,452	2.17%						6,640,452	2.17%
3.Shares held by other domestic shareholders	52,477,366	17.15%				14,136,336	14,136,336	66,613,702	21.77%
Including: Shares held by domestic legal persons	52,477,036	17.15%				14,136,666	14,136,666	66,613,702	21.77%
Shares held by domestic natural persons	330	0.00011%				-330	-330	0	0
4.Shares held by foreign investors	15,929,329	5.21%				19,430,094	19,430,094	35,359,423	11.55%
Including: Shares held by overseas legal persons	15,929,329	5.21%				19,430,094	19,430,094	35,359,423	11.55%
Shares held by overseas natural persons									
II. Shares without trading restriction	230,988,335	75.48%				-33,566,430	-33,566,430	197,421,905	64.51%
1.Renminbi ordinary shares	124,610,680	40.72%				-14,136,336	-14,136,336	110,474,344	36.10%
2.Domestically-listed shares for overseas investors	106,377,655	34.76%				-19,430,094	-19,430,094	86,947,561	28.41%
3.Overseas-listed shares for overseas investors									

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4.Others									
III. Total of shares	306,035,482	100.00%						306,035,482	100.00%

3.2 Shareholding particulars of top ten shareholders and top ten shareholders without trading restriction

Unit: share

Total quantity of shareholders		37,505(including 11,889 B shares)			
Shares held by top ten shareholders					
Shareholder name	Shareholder nature	Shareholding percentage	Total quantity of shares	Total number of shares with trading restriction	Shares for the mortgage or freezing
Joicare Pharmaceutical Group Industry Co., Ltd	Others	25.33%	77,510,167	66,613,702	66,613,702
Tiancheng Industry Co., Ltd	Foreign investor	14.55%	44,537,733	35,359,423	35,359,423
First Shanghai Securities Co., Ltd	Foreign investor	3.36%	10,291,575		
Agricultural Bank of China - LOF	Others	2.68%	8,189,582		
Shenzhen Shengjibaili Advertisement Co., Ltd	Others	2.32%	7,099,471		
Guangzhou Begol Trading Corporation	State-owned shareholders	1.98%	6,059,428	6,059,428	6,059,428
Shenzhen Haibin Pharmaceutical Co., Ltd	Others	1.93%	5,892,943		
National Social Security Fund 104 Portfolio	Others	1.04%	3,186,782		
HANG SENG CONSUMER SECTOR FLEXIPOWER FUND	Foreign investor	0.76%	2,312,100		
Bank of China - Jiashi Security Investment Fund	Others	0.65%	1,999,920		
Shares held by top ten shareholders without tradable restriction					
Shareholder name	Total quantity of shares without trading restriction		Share type		
Joicare Pharmaceutical Group Industry Co., Ltd	10,896,465		RMB Common share		
First Shanghai Securities Co., Ltd	10,291,575		Domestically-listed shares for overseas investors		
Tiancheng Industry Co., Ltd	9,178,310		Domestically-listed shares for overseas investors		
Agricultural Bank of China - LOF	8,189,582		RMB Common share		
Shenzhen Shengjibaili Advertisement Co., Ltd	7,099,471		RMB Common share		
Shenzhen Haibin Pharmaceutical Co., Ltd	5,892,943		RMB Common share		
National Social Security Fund 104 Portfolio	3,186,782		RMB Common share		
HANG SENG CONSUMER SECTOR FLEXIPOWER FUND	2,312,100		Domestically-listed shares for overseas investors		
Bank of China - Jiashi Security Investment Fund	1,999,920		RMB Common share		
Shenzhen Xikang Food Co., Ltd	1,800,000		RMB Common share		

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Remark about the association relationship or conformity action of above shareholders	Both Tiancheng Industry Co., Ltd and Shenzhen Haibin Pharmaceutical Co., Ltd are the subcompanies that are 100% directly or indirectly held or controlled by Joincare Pharmaceutical Group Industry Co., Ltd (hereinafter referred to as "Joincare"); On February 2, 2004, Joincare, Guangzhou Begol Trading Corporation and Zhuhai Lishi Investment Co., Ltd signed the <i>Agreement on Equity Transfer, Custody and Mortgage</i> . Joincare and Guangzhou Begol Trading Corporation signed the <i>Agreement on Equity Transfer and Custody</i> , in which Guangzhou Begol Trading Corporation directly transferred, custodized and mortgaged 6,059,428 domestic legal person shares of the Company (accounting for 1.98% of total shares) to Joincare. By June 30, 2007, the Company does not know whether there are relations between the above shareholders except Joincare pharmaceutical Group Industry Co., Ltd and its affiliated enterprises and whether they belong to the concreted actors stated in the <i>Management Measures of Information Disclosure for Changes of Shares Held by the Shareholders of Listed Companies</i> .
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3.3 Changes of the controlling shareholders and actual controllers

Applicable Inapplicable

§ 4 Particulars of directors, supervisors and senior executives

4.1 Shareholding changes of directors, supervisors and senior executives

Applicable Inapplicable

Name	Position	Shareholding quantity at the beginning of this year	Increased shares during this period	Reduced shares during this period	Shareholding quantity at the end of this period	Reasons for changes
Wang Wuping	Vice general manager	330	0	0	330	None.
Xu Faguo	Vice general manager	205	0	0	205	None.

Share option and share quantity with the trading restriction held by the above personnel

Applicable Inapplicable

§ 5 Report of the Board of Directors

5.1 Main business table according to the profession and products

Unit : RMB'000

Main business according to the profession						
Profession or product classification	Operating income	Operating cost	Gross profit (%)	Increase or decrease of operating income over the same period of previous year (%)	Increase or decrease of operating cost over the same period of previous year (%)	Increase or decrease of gross profit over the same period of previous year (%)
Digestive tract	96,061	14,802	84.59%	-9.82%	-3.45%	Down 1.02%
Cardiac and cerebral	39,181	10,818	72.39%	-1.92%	16.49%	Down 4.36%

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blood vessel						
Antimicrobial drugs	113,046	56,982	49.59%	-20.69%	-26.09%	Up 3.68%
Gonadotropic hormone	43,002	17,607	59.06%	66.43%	144.20%	Down 13.04%
Blood and hemopoietic system drugs	19,291	6,931	64.07%	23.21%	24.32%	Down 0.32%
Others	66,009	34,875	47.17%	20.84%	-8.19%	Up 16.71%
Raw material drugs	270,751	253,670	6.31%	23.10%	25.26%	Down 1.62%
Chinese traditional drug preparation	150,223	50,368	66.47%	13.36%	17.77%	Down 1.26%
Imported drugs	159	66	58.49%	-	-	-
Main business according to the product						
Ceftriaxone sodium	75,250			14.86%		
Antivirus granules	63,683			20.06%		
Dele series	56,821			-14.96%		
Colistin	55,554			48.03%		
Shenqifuzheng injection solution	48,364			22.75%		
Cefuroxime Sodium	27,008			108.88%		
Cefuroxime Sodium for injection	24,569			1.05%		
Mevastatin	24,363			68.53%		
Menotropin for injection	20,299			31.92%		
Lizhuwei Sanlian	17,628			23.75%		

Including: during the report period, the total amount of associated transactions in which the listed companies provided the products and labors to the controlling shareholders and their subcompanies reached RMB 890 Yuan.

5.2 Main business according to the region

Unit: RMB'000

Region	Operating income	Increase or decrease of operating income over the same period of previous year (%)
Northeast China	47,411	31.40%
North China	171,544	24.89%
Central China	67,796	-11.21%
East China	142,494	14.56%
South China	141,292	2.39%

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Southwest China	97,318	13.24%
Northwest China	31,679	41.66%
Export	87,631	-27.18%

5.3 Causes of key changes in main businesses and their structure

Applicable Inapplicable

5.4 Causes of Key changes in profitability (gross profit) of main businesses over previous year

Applicable Inapplicable

5.5 Causes of key changes in profit structure over previous year

Applicable Inapplicable

Item	From January to June, 2007	From January to June, 2006	Change range
	Amount (Yuan)	Amount (Yuan)	
Operating income	815,070,307.42	805,917,766.37	1.14%
Operating cost	462,291,545.64	461,696,389.75	0.13%
Expenses in the period	214,381,210.74	269,500,844.88	-20.45%
Profit from fair value change	26,825,512.53	2,612,860.53	926.67%
Investment profit	118,946,965.95	17,249,826.89	589.55%
Operating profit	276,136,573.69	83,289,488.54	231.54%
Non-operating income	4,200,202.50	2,565,326.35	63.73%
Non-operating expenditure	763,383.10	967,513.33	-21.10%
Total profit	279,573,393.09	84,887,301.56	229.35%
Remark: during the report period, the expenses in the period go down by 20.45%, which is mainly caused by the decrease of marketing expenses through the reform of marketing system in the Company; the profit from fair value change and investment profit go up by 926.67% and 589.55% respectively, which is mainly caused by the increase of profits through the investment in security market; the non-operating income goes up by 63.73%,			

5.6 Use of raised capitals

5.6.1 Use of raised capitals

Applicable Inapplicable

5.6.2 Project changes

Applicable Inapplicable

5.7 Revision plan of operating plan for latter half of year by Board of Directors

Applicable Inapplicable

5.8 Forecast and specification about the loss possibility or huge changes of accumulated net profit from the beginning of this year to the end of next report period over the same period of previous year

Applicable Inapplicable

Influenced by the performance increase of the Company at the first half of this year, we forecast that the net profit from this year to the end of next report period will have a huge increase over the same period of pervious year.
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5.9 Remarks of Board of Directors about the “unqualified auditing report” issued by the accounting firm during the report period

Applicable Inapplicable

5.10 Remarks of Board of Directors about the content changes and disposal of “unqualified auditing report” issued by the accounting firm in the previous year

Applicable Inapplicable

§ 6 Major events

6.1 Purchase and selling of assets and asset restructuring

6.1.1 Purchase of assets

Applicable Inapplicable

6.1.2 Selling of assets

Applicable Inapplicable

6.1.3 After the disclosure of asset restructuring report or the announcement about purchase and selling of assets, the development of such events and their effects on the operating results or financial status during the report period

Applicable Inapplicable

6.2 Guaranty

Applicable Inapplicable

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Unit: RMB'000

External guaranty of the Company(not including the guaranty of the Company to its controlling subcompanies)						
Name of guarantee	Guaranty date(Signing date of agreement)	Guaranty amount	Guaranty type	Period	Whether have been performed	Whether to be the guaranty of associated party (yes or no)
Total guaranty amount in the report period		0.00				
Total balance of guaranty amount in the report period(A)		0.00				
Guaranty of the Company to its subcompanies						
Total guaranty amount to its subcompanies in the report period		9,330.00				
Total balance of guaranty amount to its subcompanies in the report period		39,970.00				
Total guaranty amount of the Company (including the guaranty of the Company to its subcompanies)						
Total guaranty amount(A+B)		39,970.00				
Percentage of total guaranty amount to net assets of the Company		2.42%				
Including:						
Guaranty amount of the Company to the shareholders, actual controller and their associated parties(C)		0.00				
Debt guaranty amount (D)that the Company directly or indirectly provides to the guarantee whose liability/asset ratio exceeds 70%.		0.00				
Guaranty amount (E) that exceeds 50 %of its net asset		0.00				
Total amount including three above guaranty amounts*(C+D+E)		0.00				

6.3 Transfer of non-operating associated claims and debts

Applicable Inapplicable

Unit: RMB Yuan

Associated party	Provision of funds to associated party		Funds that the associated party paid to listed company	
	Total amount	Balance	Total amount	Balance
Shenzhen Haibin Pharmaceutical Co., Ltd	-913,510.56	230,000.00		
Zhuhai Joicare Pharmaceutical Group Industry Co., Ltd	4,240.12	4,240.12		
Tongyikangshimei Chain (Shenzhen) Co., Ltd	-89.20	4,932.00		
Guangzhou Livzon Building Co., Ltd under Livzon Group		150,000.00		
Guangdong Blue Treasure Pharmaceutical Co. Ltd.	325,546.87	435,045.32		

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Shenzhen Haibin Pharmaceutical Co., Ltd			-1,091,510.56	8,489.44
Changzhou Kangli Pharmaceutical Co., Ltd under Livzon Group			-629,000.00	2,952,000.00
Hongkong Xinbeijiang Pharmaceutical Co., Ltd				206,008.98
Guangdong Blue Treasure Pharmaceutical Co. Ltd.			18,744.87	18,744.87
Joincare Pharmaceutical Group Industry Co., Ltd			-2,656.56	21,622.79
Jiaozuo Joincare Pharmaceutical Group Industry Co., Ltd			-35,680.23	43,595.72
Total	-583,812.77	824,217.44	-1,740,102.48	3,250,461.80

Including: during the report period, the total amount of funds that the Company provided to the controlling shareholders and their subcompanies was RMB -909.27 thousand Yuan and the balance was RMB 234.24 thousand Yuan.

6.4 Key lawsuits and arbitrations

Applicable Inapplicable

6.5 Analysis and remark of other key events and their effects and resolutions

Applicable Inapplicable

6.5.1 Security investment

Applicable Inapplicable

Unit : RMB Yuan

Security type	Security code	Security abbreviation	Initial investment capital (Yuan)	Shareholding quantity (share)	Book value at the end of this period	Percentage of total investment at the end of this period (%)	profit and loss during the report period
Stock	000822	Shandong Haihua	2,689,925.59	500,000.00	5,895,000.00	1.85%	3,205,074.41
Stock	601666	Pingmei Tian'an	46,212,985.42	3,730,033.00	67,177,894.33	21.08%	20,964,908.91
Stock	001398	Industrial and Commercial Bank of China	21,680,132.23	4,000,000.00	20,040,000.00	6.29%	-1,640,132.23
Stock	000488	Chenming Paper	135,305,371.92	12,627,954.00	110,115,758.88	34.56%	-25,189,613.04
Stock	0438	Rainbow Electronics	7,638,484.46	5,000,000.00	5,554,080.00	1.74%	3,958,200.00
Stock	0338	Sinopec Shanghai Petrochemical Company Limited	5,711,728.36	1,500,000.00	7,483,392.00	2.35%	1,899,936.00
Stock	0493	GOME Electrical Appliances Holding Ltd	5,519,067.63	568,225.00	6,644,141.28	2.09%	3,317,493.59
Stock	1088	China Shenhua Energy Company Limited	5,005,078.19	418,000.00	11,017,443.36	3.46%	3,445,553.73
Stock	3993	Luoyang molybdenum	2,717,266.86	406,000.00	5,973,656.64	1.87%	3,307,020.22
Stock	3983	China BlueChemical Ltd	3,364,002.97	1,000,000.00	4,160,688.00	1.31%	1,108,296.00
Other securities investment at the end of this period			39,560,979.79		74,548,108.68	23.40%	14,786,973.16

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Profit and loss of sold security investment during the report period	-		-	-	117,541,051.91
Total	275,405,023.42		318,610,163.17	100%	146,704,762.66

6.5.2 Shareholding particulars of other listed companies

Applicable Inapplicable

Unit : RMB Yuan

Security code	Security abbreviation	Initial investment capital	Percentage of total shares of this Company	Book value at the end of this period	Profit and loss during the report period	Change of ownership interests during the report period
601328	Bank of Communication	1,640,080.00	0.00262%	13,189,648.50	0.00	11,549,568.50
600713	NanJing Medical Company Limited	130,000.00	0.07%	2,284,200.00	0.00	1,103,400.00
000963	Huadong Medicine Co., Ltd	1,200,000.00	0.516%	29,859,200.00	0.00	18,771,200.00
Total		2,970,080.00	-	45,333,048.50	0.00	31,424,168.50

6.5.3 Shareholding particulars of non-listed financial enterprises and to-be-listed companies

Applicable Inapplicable

Unit : RMB Yuan

Object name	Initial investment capital	Share quantity	Percentage of total shares of this Company	Book value at the end of this period	Profit and loss during the report period	Change of ownership interests during the report period
Zhuhai Branch of Guangdong Development Bank	105,000.00	1,222,707.00	0.0034%	105,000.00	0.00	0.00
Zhuhai City Commercial Bank	20,000,000.00	20,000,000.00	6.11%	0.00	0.00	0.00
Total	20,105,000.00	21,222,707.00	-	105,000.00	0.00	0.00

6.6 Activities that the Company receives the investigation, communication and interview, etc

Reception date	Reception place	Reception mode	Objects	Discussion topics and provided materials
April 6,2007	Zhuhai	Local investigation	E Fund Management Co., Ltd	Operation status of the Company
April 13,2007	Zhuhai	Local investigation	Guangfa Securities Co., Ltd	Operation status of the Company
April 15,2007	Zhuhai	Local investigation	Guangzhou Securities Co., Ltd	Operation status of the Company

§ 7 Financial report

7.1 Auditing opinions

Financial report	Unaudited	Audited
Auditing report	Qualified auditing report	Unqualified auditing report
Full text of auditing report		

REPORT OF THE AUDITORS

BDO Reanda (2007) No.1116B

To the shareholders of B shares of
 Livzon Pharmaceutical Group Inc.
 麗珠醫藥集團股份有限公司
 (incorporated in the People's Republic of China
 with limited liability)

We have audited the consolidated financial statements of Livzon Pharmaceutical Group Inc., ("the Group") set out on pages 3 to 7, which comprise the group consolidated balance sheets as at 30 June 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Group are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement. Whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the

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entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2007 and of the Group's loss and cash flows for the six months ended in accordance with International Financial Reporting Standards.

BDO Reanda

Certified Public Accountants

Beijing, China, 22, August 2007

7.2 Financial statements

7.2.1 Balance sheet

LIVZON PHARMACEUTICAL GROUP INC.

麗珠醫藥集團股份有限公司

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007

	<u>NOTES</u>	<u>2007-6-30</u>	<u>2006-12-31</u>
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	(11)	1,012,177	1,012,672
Construction in progress	(12)	71,599	97,607
Goodwill	(13)	85,203	85,203

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Intangible assets	(14)	40,675	41,853
Investments in associates	(16)	37,915	37,008
Investments available for sale	(17)	58,746	28,915
Investments held for trading	(17)	318,610	168,339
		1,624,925	1,471,597
Current assets			
Inventories	(18)	279,179	281,211
Trade and other receivables	(19)	509,313	453,934
Amounts due from associates		435	115
Deferred tax		3,263	13,445
Bank balances and cash		293,588	283,852
		1,085,778	1,032,557
Total assets		2,710,703	2,504,154
Equity and liabilities			
Capital and reserves			
Share capital	(20)	306,035	306,035
Reserves	(21)	1,335,713	1,079,747
		1,641,748	1,385,782
Minority interests		38,574	38,497
		1, 680,322	1,424,279
Non-current liabilities			
Bank loans – due after one year	(22)	110,700	110,700
Current liabilities			
Trade and other payables	(23)	336,491	370,990
Amounts due to associates		3,158	3,787
Tax payable		45,820	15,610
Bank loans – due within one year	(22)	534,212	578,788
		919,681	969,175
Total equity and liabilities		2,710,703	2,504,154

7.2.2 Profit statement

LIVZON PHARMACEUTICAL GROUP INC.

麗珠醫藥集團股份有限公司

CONSOLIDATED INCOME STATEMENT

FOR SIX MONTHS ENDED 30 JUNE 2007

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	<u>NOTES</u>	<u>2007</u> <u>Jan-Jun</u> RMB'000	<u>2006 Jan-Jun</u> RMB'000
Revenue	(4)	815,070	805,918
Cost of sales		(464,111)	(469,906)
Gross profit		350,959	336,012
Other operating income		4,200	2,565
Selling expenses		(114,763)	(156,045)
Administrative expenses		(92,276)	(107,605)
Other operating expenses		(763)	(968)
Profit from operations	(6)	147,357	73,959
Finance costs	(7)	(13,555)	(13,416)
Profit from investments	(8)	148,690	24,836
Share of profit of associates		(1,303)	(529)
Profit before tax		281,189	84,850
Income tax expense	(9)	(40,843)	(10,246)
Profit after tax		240,346	74,604
Attributable to:			
Minority interests		6,354	4,483
Equity holders of the parent company		233,992	70,121
Earnings per share – basic	(10)	0.76	0.23

7.2.3 Cash flow statement

LIVZON PHARMACEUTICAL GROUP INC.

麗珠醫藥集團股份有限公司

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

Summary of 2007 Semiannual Report of Livzon Pharmaceutical Group Inc

	<u>2007</u>	<u>2006 Jan-Jun</u>
	<u>Jan-Jun</u>	
	RMB'000	RMB'000
Operating activities:		
Profit from operations	294,744	98,266
Adjustments for:		
Provision for impairment	(16,839)	2,700
Investment income	(147,387)	(24,307)
Financial cost		
Negative goodwill released to income		
Construction in progress written-off		
Amortization of intangible and other long-term assets	4,473	4,414
Depreciation of property, plant and equipment	58,313	53,233
Loss/(profit) on disposal of property, plant and equipment	(1,100)	(1,578)
Operating cash flows before movements in working capital	192,204	132,728
Movements in working capital	(51,138)	(46,550)
Cash generated from operations	141,066	86,178
Income tax paid	(18,468)	(9,734)
Interest paid	(13,555)	(13,416)
Net cash flow from operating activities	109,043	63,028

LIVZON PHARMACEUTICAL GROUP INC.

麗珠醫藥集團股份有限公司

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

	<u>2007</u>	<u>2006</u>
	<u>Jan-Jun</u>	<u>Jan-Jun</u>
	RMB'000	RMB'000
Investing activities		
Movements in profit and loss from investments	3,239	500
Disposal of investments	221,506	128,255
Proceeds on disposal of subsidiary		

Summary of 2007 Semiannual Report of Livzon Pharmaceutical Group Inc

Proceeds on disposal of property, plant and equipment, intangible assets and other assets	3,931	42,764
Purchases of property, plant and equipment, intangible assets and other assets	(43,956)	(105,605)
Purchases of investments	(230,737)	(333,183)
Other cash received related with investing activities		
Other cash paid related with investing activities		(33)
Net cash from investing activities	(46,017)	(267,302)
Financing activities		
Dividend and interests paid	(16,721)	(23,817)
New bank loans raised	544,455	602,704
Repayments of bank loans	(584,786)	(328,372)
Other cash received related with financing activities		4,901
Other cash paid related with financing activities		(31)
Net cash used in financing activities	(57,052)	255,385
Net increase in cash and cash equivalents	5,974	51,111
Effect of exchange differences	(2,041)	(642)
Cash and cash equivalents at beginning of year	283,852	129,499
Cash and cash equivalents at end of year	287,785	179,968
Bank balances and cash	287,785	179,968

Summary of 2007 Semiannual Report of Livzon Pharmaceutical Group Inc

7.2.4 Change table of owners' equities

LIVZON PHARMACEUTICAL GROUP INC.

麗珠醫藥集團股份有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	<u>Share capital</u>	<u>Share premium</u>	<u>Properties revaluation reserve</u>	<u>Other capital reserve</u>	<u>Foreign exchange reserve</u>	<u>Surplus Reserve</u>	<u>Retained profit</u>	<u>Minority Interest</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
Balance at 1st January 2006	306,035	417,689	9,609	10,012	(2,587)	306,744	143,207	33,548	1,224,257
Net profit for the year	-	-	-	-	-	-	188,142	10,176	198,318
Transfer to surplus from retained profits	-	-	-	-	-	24,863	(24,863)	-	-
Dividend paid for 2005	-	-	-	-	-	-	-	(5,227)	(5,227)
Transfer for the year	-	-	10,939	573	(4,581)	-	-	-	6,931
Balance at 31st December 2006	306,035	417,689	20,548	10,585	(7,168)	331,607	306,486	38,497	1,424,279
Balance at 1st January 2007	306,035	417,689	20,548	10,585	(7,168)	331,607	306,486	38,497	1,424,279
Net profit for the period	-	-	-	-	-	-	233,992	6,354	240,346
Transfer to surplus from retained profits	-	-	-	-	-	-	-	-	-
Dividend paid for 2006	-	-	-	-	-	-	-	(6,922)	(6,922)
Transfer for the year	-	-	-	27,150	(5,176)	-	-	645	22,619
Balance at 30 June 2007	306,035	417,689	20,548	37,735	(12,344)	331,607	540,478	38,574	1,680,322

7.3 Explanatory notes to the financial report

7.3.1 In case there are great changes in consolidation scope of financial statements, please specify the causes and effects.

Applicable Inapplicable

7.3.2 If the unqualified opinions are issued, specify the relevant explanatory notes about involved matters.

Applicable Inapplicable

**Chairman
Livzon Pharmaceutical Group Inc.
Zhu Baoguo
August 24, 2007**