UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x Quarterly Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For the quarterly period ended: June 30, 2014

Or

¨ Transition Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For the transition period from ______________ to _______________

Commission File Number: 001-34708

BIOSTAR PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation of origination)	20-8747899 (I.R.S. Employer Identification Number)
No. 588 Shiji Xi Avenue Xianyang, Shaanxi Province People’s Republic of China (Address of principal executive offices)	712046 (Zip code)

011-86-29-33686638
(Registrant’s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of August 13, 2014, the Company had 15,476,713 shares issued and outstanding.

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PART I - FINANCIAL INFORMATION

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BIOSTAR PHARMACEUTICALS, INC.

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BIOSTAR PHARMACEUTICALS, INC
CONSOLIDATED BALANCE SHEETS

	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 9,341,104	$ 80,072
Note receivable - note 2)	-	1,636,072
Accounts receivable, net of allowance for doubtful accounts of $6,273,091 (December, 2013 : $2,454,108) - note 2)	24,665,180	17,965,082
Inventories - note 2)	669,783	830,311
Deposits and other receivables - note 3)	1,391,692	5,282,574
Income tax recoverable - note 7)	464,226	374,958
Loan receivables - note 4)	9,747,855	9,816,433
Total Current Assets	46,279,840	35,985,502
Non-current Assets		
Deposits - note 3)	3,899,142	3,926,573
Deferred tax assets	3,509,225	2,789,175
Property and equipment, net - note 2, 5)	7,877,407	7,728,700
Intangible assets, net - note 2, 5)	15,672,232	17,134,494
Total Assets	$ 77,237,846	$ 67,564,444
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts and other payables	$ 5,489,117	$ 4,447,314
Short-term bank loans - note 2, 5)	3,249,285	-
Value-added tax payable	540,899	344,191
Total Current Liabilities	9,279,301	4,791,505
Non-current Liability		
Warrant liabilities - note 6)	567,732	-
Total Liabilities	9,847,033	4,791,505
Commitment - note 10)		
Stockholders' Equity		
Common stock, $0.001 par value, 100,000,000 shares authorized, 14,326,113 and 12,676,113 shares issued and outstanding as at June 30, 2014 and December 31, 2013	14,326	12,676
Additional paid-in capital	28,648,658	25,748,669
Deferred stock-based compensation - note 6)	(165,917)	(365,017)
Statutory reserves - note 8)	7,126,432	7,126,432
Retained earnings	25,601,890	23,649,725

Accumulated other comprehensive income - note 11)	6,165,424	6,600,454
Total Stockholders' Equity	67,390,813	62,772,939
Total Liabilities and Stockholders' Equity	$ 77,237,846	$ 67,564,444

The accompanying notes are an integral part of these financial statements.

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BIOSTAR PHARMACEUTICALS, INC
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE (LOSS) INCOME
(Unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Sales, net	$ 19,198,854	$ 14,650,854	$ 32,380,018	$ 26,742,763
Cost of sales	9,931,316	7,771,404	15,859,392	13,174,423
Gross profit	9,267,538	6,879,450	16,520,626	13,568,340
Operating expenses:				
Advertising expenses	2,318,826	2,550,271	4,107,367	4,436,952
Selling expenses	2,537,288	2,621,288	4,472,010	4,818,634
General and administrative expenses	3,266,588	1,458,818	6,864,581	2,536,566
Research and development expenses	689,488	805,613	1,384,432	1,601,614
Impairment of intangible assets	-	238,192	-	238,192
Total operating expenses	8,812,190	7,674,182	16,828,390	13,631,958
Income (loss) from operations	455,348	(794,732)	(307,764)	(63,618)
Other income (expense)				
Interest income	334,467	331,404	650,898	786,635
Interest expense	-	(99,521)	-	(195,209)
Fair value adjustment on warrants	393,162	-	393,162	-
Other income (expense)	(4,132)	635	1,048,460	(1,463)
	723,497	232,518	2,092,520	589,963
Income (loss) before income taxes	1,178,845	(562,214)	1,784,756	526,345
Provision for income tax (recovery)	(466,649)	168,766	(167,408)	696,351
Net Income (loss)	1,645,494	(730,980)	$ 1,952,164	$ (170,006)
Foreign currency translation adjustment	98,949	942,176	(435,030)	1,380,009
Comprehensive income	$ 1,744,443	$ 211,196	$ 1,517,134	$ 1,210,003
Net income (loss) per share				
Basic	$ 0.11	$ (0.06)	$ 0.14	$ (0.02)
Diluted	0.11	(0.06)	0.14	(0.02)
Weighted average number of common shares outstanding				
Basic	14,326,113	11,560,501	13,678,875	10,777,025
Diluted	14,326,113	11,560,501	13,681,830	10,777,025

The accompanying notes are an integral part of these financial statements.

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BIOSTAR PHARMACEUTICALS, INC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,952,164	$ (170,006)
Adjustments to reconcile net income to net cash provided by operating activities:		
Accrued interest	-	(759,824)
Deferred tax expense (benefit)	(741,402)	230,899
Depreciation and amortization	1,591,581	1,223,460
Provision for doubtful accounts	3,845,811	-
Loss on disposal	3,277	
Recognition of deferred research and development expenses	1,384,433	1,601,614
Stock-based compensation	199,100	6,147
Warrant liability	(393,162)	-
Impairment of intangible assets	-	238,192
Changes in operating assets and liabilities:		
Accounts receivable	(9,059,901)	8,736,339
Inventories	155,118	(871,434)
Deposits and other receivables	916,527	350,570
Accounts payable and accrued expenses	1,075,535	(304,802)
Value-added tax payable	199,615	(202,051)
Income tax payable/recoverable	(92,119)	108,142
Net cash provided by operating activities	1,036,577	10,187,246
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(479,792)	(955,052)
Sales proceed of property, plant and equipment	2,932	-
Settlement of outstanding receivable from disposal of land use right	1,562,749	290,076
Net cash provided by (used in) investing activities	1,085,889	(664,976)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed of bank loan	3,257,488	-
Advance from (repayment to) a related party	33,944	(1,601,614)
Proceeds from stock issuance and warrants	3,862,533	-
Net cash provided by (used in) financing activities	7,153,965	(1,601,614)
Effect of exchange rate changes on cash and cash equivalents	(15,399)	271,419
Net increase in cash and cash equivalents	9,261,032	8,192,075
Cash and cash equivalents, beginning balance	80,072	1,759,078
Cash and cash equivalents, ending balance	$ 9,341,104	$ 9,951,153
SUPPLEMENTAL DISCLOSURES:		
Interest (payments)	$ -	$ (189,359)

Income tax (payments)	$	(526,770)	$	(559,441)

The accompanying notes are an integral part of these financial statements.

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BIOSTAR PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - ORGANIZATION

Biostar Pharmaceuticals, Inc. (“Biostar” or the “Company”) was incorporated in the State of Maryland on March 27, 2007. On June 15, 2007, Biostar formed Shaanxi Biostar Biotech Ltd. (“Shaanxi Biostar”). Shaanxi Biostar is a wholly owned subsidiary of Biostar and a limited liability company organized under the laws of the People's Republic of China (the “PRC”).

On November 1, 2007, Shaanxi Biostar entered into a series of agreements including a Management Entrustment Agreement, a Shareholders’ Voting Proxy Agreement, an Exclusive Option Agreement and a Share Pledge Agreement (collectively the “Agreements”) with Shaanxi Aoxing Pharmaceutical Co., Ltd. (“Aoxing Pharmaceutical”) and its registered owners (the “Transaction”). Aoxing Pharmaceutical is a corporation formed under the laws of the PRC. According to these Agreements, Shaanxi Biostar acquired management control of Aoxing Pharmaceutical whereby Shaanxi Biostar is entitled to all of the net profits of Aoxing Pharmaceutical as a management fee and is obligated to fund Aoxing Pharmaceutical’s operations and pay all of the debts. In exchange for entering into the Agreements, on November 1, 2007, the Company issued 19,832,311 shares of its common stock to Aoxing Pharmaceutical’s registered owners, representing approximately 90% of the Company’s common stock outstanding immediately after the Transaction. Therefore, the Transaction is accounted for as a reverse acquisition, and Aoxing Pharmaceutical is deemed to be the accounting acquirer in the reverse acquisition.

Following to the change in registered owners of Aoxing Pharmaceutical on July 9, 2010, a set of new Agreements had been entered into with all the then existing registered owners of Aoxing Pharmaceutical on the same day.

The Agreements dated July 9, 2010 were merely replacement of the Agreements dated November 1, 2007 and therefore, there was no significant change in the contractual terms between the Agreements dated July 9, 2010 and November 1, 2007. The then existing registered owners of Aoxing Pharmaceutical, Shaanxi Biostar and Biostar had mutually agreed that no consideration would be paid / payable upon the execution of the Agreements on July 9, 2010. The interest of Biostar in Aoxing Pharmaceutical was not and would not be affected by the replacement for the Agreements.

Following to the change in registered owners of Aoxing Pharmaceutical on May 15, 2013, a set of new Agreements had been entered into with all the existing registered owners of Aoxing Pharmaceutical on May 24, 2013.

The Agreements dated May 24, 2013 are merely replacement of the Agreements dated July 9, 2010 and therefore, there is no significant change in the contractual terms between the Agreements dated May 24, 2013, July 9, 2010 and November 1, 2007. The existing registered owners of Aoxing Pharmaceutical, Shaanxi Biostar and Biostar had mutually agreed that no consideration would be paid / payable upon the execution of the Agreements on May 23, 2013. The interest of Biostar in Aoxing Pharmaceutical was not and would not be affected by the replacement for the Agreements.

The Agreements provide that Shaanxi Biostar has controlling interest in Aoxing Pharmaceutical as defined by Accounting Standards Codification (“ASC”) 810, Consolidation, an Interpretation of Accounting Research Bulletin (“ARB”) No. 51, included in the Codification as ASC 810, Consolidation, which requires Shaanxi Biostar to consolidate the financial statements of Aoxing Pharmaceutical and ultimately consolidate with its parent company, Biostar (see Note 2 “Principles of Consolidation”).

In October 2011, Aoxing Pharmaceutical entered into and completed a Share Transfer Agreement (the "Weinan Share Transfer Agreement") to acquire Shaanxi Weinan Huaren Pharmaceuticals, Ltd. ("Shaanxi Weinan") from the holders of 100% of equity interests in Shaanxi Weinan. Therefore, Shaanxi Weinan became a wholly owned subsidiary of Aoxing Pharmaceutical. Shaanxi Weinan is engaged in manufacturing of drugs and health products.

In April 2013, Aoxing Pharmaceutical executed a supplemental agreement to the Weinan Share Transfer Agreement (the "Weinan Supplemental Agreement") with all the former equity holders of Shaanxi Weinan to acquire 13 drug approval numbers which were excluded from the Weinan Share Transfer Agreement due to incomplete re-registration. The Company acquired ownership of the 13 drug approval numbers for which re-registration has been completed in April 2013. The aggregate purchase price was approximately $10.2 million, consisting of approximately $8.8 million in cash and 1,602,564 shares of the Company's common stock, valued at approximately $1.4 million.

The Company, through its subsidiary and the Agreements with Aoxing Pharmaceutical, is engaged in the business of developing, manufacturing and marketing over-the-counter ("OTC") and prescription pharmaceutical products in the PRC.

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Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiary and variable interest entity ("VIE") for which the Company is the primary beneficiary. All inter-company accounts and transactions have been eliminated in consolidation. The Company has adopted ASC 810, Consolidation which requires a VIE to be consolidated by a company if that company has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (1) the obligation to absorb losses of the VIE or (2) the right to receive benefits from the VIE".

In determining Aoxing Pharmaceutical is a VIE of Shaanxi Biostar, the Company considered the following indicators, among others:

- Shaanxi Biostar has the full right to control and administer the financial affairs and daily operation of Aoxing Pharmaceutical and has the right to manage and control all assets of Aoxing Pharmaceutical. The registered owners of Aoxing Pharmaceutical as a group have no right to make any decision about Aoxing Pharmaceutical's activities without the consent of Shaanxi Biostar.

- Shaanxi Biostar is assigned all voting rights of Aoxing Pharmaceutical and has the right to appoint all directors and senior management personnel of Aoxing Pharmaceutical. The registered owners of Aoxing Pharmaceutical possess no substantive voting rights.

- Shaanxi Biostar is committed to provide financial support if Aoxing Pharmaceutical requires additional funds to maintain its operations and to repay its debts.

- Shaanxi Biostar is entitled to a management fee equal to Aoxing Pharmaceutical's net profits and is obligated to assume all operation risks and bear all losses of Aoxing Pharmaceutical. Therefore, Shaanxi Biostar is the primary beneficiary of Aoxing Pharmaceutical.

Additional capital provided to Aoxing Pharmaceutical by the Company was recorded as an interest-free loan to Aoxing Pharmaceutical. There was no written note to this loan, the loan was not interest bearing, and was eliminated during consolidation. Under the terms of the Agreements, the registered owners of Aoxing Pharmaceutical are required to transfer their ownership of Aoxing Pharmaceutical to the Company's subsidiary in the PRC when permitted by the PRC laws and regulations or to designees of the Company at any time when the Company considers it is necessary to acquire Aoxing Pharmaceutical. In addition, the registered owners of Aoxing Pharmaceutical have pledged their shares in Aoxing Pharmaceutical as collateral to secure these Agreements.

Unaudited Interim Financial Information

These unaudited interim consolidated financial statements have been prepared in accordance with GAAP for interim financial reporting and the rules and regulations of the Securities and Exchange Commission that permit reduced disclosure for interim periods. Therefore, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented have been made. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the year ending December 31, 2014.

The consolidated balance sheets and certain comparative information as of December 31, 2013 are derived from the audited consolidated financial statements and related notes for the year ended December 31, 2013 (“2013 Annual Financial Statements”), included in the Company’s 2013 Annual Report on Form 10-K. These unaudited interim consolidated financial statements should be read in conjunction with the 2013 Annual Financial Statements.

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Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used for, but not limited to, the accounting for certain items such as allowance for doubtful accounts, depreciation and amortization, impairment, inventory allowance, taxes and contingencies.

Note Receivable

During the year ended December 31, 2013, the Company accepted a promissory note of approximately $1.6 million (RMB10 million) as settlement of a customer's accounts receivable. The promissory note was guaranteed by a PRC bank, non-interest, and was cancelled during the three months ended June 30, 2014. The full amount was therefore reclassified as accounts receivable as at June 30, 2014 net of 75% provision according to the Company's allowance policy as set out below.

Accounts receivables

The Company maintains allowances for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these allowances. Terms of sales vary. Allowances are recorded primarily on a specific identification basis. Provision is also made on receivable that has been overdue for 90 days, 120 days and 365 days at 50%, 75% and 100% respectively.

In the six months period ended June 30, 2014 and 2013 bad debt provision of approximately $3.85m and Nil was made respectively.

Inventories

Inventories are valued at the lower of weighted average cost or market value. Management compares the cost of inventories with the market value, and allowance is made for writing down the inventories to market value, if lower. Inventories consisted of the following:

	June 30, 2014	December 31, 2013
Raw materials	$ 412,391	$ 423,192
Work in process	107,952	93,125
Finished goods	149,440	224,530
Goods in transit	-	89,464
	$ 669,783	$ 830,311

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Property and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method for substantially all assets with estimated lives of:

Buildings	30 years
Building improvements	30 years
Machinery & equipment	5-10 years
Furniture & fixtures and vehicles	5-10 years

Property and equipment consisted of the following:

	June 30, 2014	December 31, 2013
Buildings	$ 3,627,868	$ 3,653,390
Building improvements	3,002,739	3,023,864
Machinery & equipment	1,207,648	1,209,401
Furniture & fixtures	68,405	68,886
Vehicle	118,775	134,386
Construction in progress	2,607,790	2,150,927
	10,633,225	10,240,854
Less: Accumulated depreciation	(2,755,818)	(2,512,154)
	$ 7,877,407	$ 7,728,700

As set out in note 5, buildings with carrying value of $1.4m at June 30, 2014 are pledged to a local bank in PRC as part of the short term bank loan facilities granted to the Company.

Intangible Assets

Intangible assets are amortized using the straight-line method over their estimated period of benefit, ranging from ten to fifty years. Management evaluates the recoverability of intangible assets periodically and takes into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. The Company's land use rights will expire between 2053 and 2056. The Company's proprietary technologies, including drug approvals and permits, were mainly contributed by four ex-owners of Aoxing Pharmaceutical and acquired from Shaanxi Weinan acquisition. All of the Company's intangible assets are subject to amortization with estimated useful lives of:

Land use rights	50 years
Proprietary technologies	10 years

The components of finite-lived intangible assets are as follows:

	June 30, 2014	December 31, 2013

Land use rights	$	3,515,484	$	3,540,216
Proprietary technologies		18,973,304		19,106,783
		22,488,788		22,646,999
Less: Accumulated amortization and impairment		(6,816,556)		(5,512,505)
	$	15,672,232	$	17,134,494

As set out in note 5, land use rights with carrying value of $2.2m at June 30, 2014 are pledged to a local bank in PRC as part of the short term bank loan facilities granted to the Company.

The estimated future amortization expenses related to intangible assets as of June 30, 2014 are as follows:

Years Ending December 31,		
2014	$	1,304,051
2015		2,608,102
2016		1,454,606
2017		1,454,606
2018		1,454,606
Thereafter		7,396,261

In April 2013, the Company acquired 13 drug approval numbers from former equity holders of Shaanxi Weinan with total consideration of approximately $10.2 million (note 1).

During the year ended December 31, 2013, the Company recognized an impairment of intangible assets of $240,091. The intangible assets were related to a drug approval number for a product that was discontinued.

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During the year ended December 31, 2013, the Company sold intangible assets relating to two drug approval numbers with a carrying value of approximately $0.2 million to an arm's length party for approximately $1.4 million (RMB 8.5 million), resulting in a gain on disposal of approximately $1.2 million – (Note 3c).

Share warrants

In accordance with ASC815 and EITF07-05, share warrants with a term of down-round provision and that are issued as a multiple instrument in a single transaction are initially recognised at fair value at grant date as a financial liability and that a portion of the net proceeds from the single transaction equals to the fair value of share warrants at grant date is allocated to the share warrants as an instrument. At each reporting period date, the fair value of the share warrants will be re-measured and the fair value changes will be reported as gain/loss in the Consolidated Statements of Operations and Comprehensive Income.

Recent accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, a converged standard on revenue recognition. The new pronouncement requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfil a contract with a customer, as well as enhanced disclosure requirements. ASU 2014-9 is effective for annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. The adoption of ASC 2014-9 is not expected to have a material effect on our consolidated financial statements.

As of the date this quarterly report is filed, there are no recently issued accounting pronouncements which adoption would have a material impact on the Company's financial statements.

Note 3 – DEPOSITS AND OTHER RECEIVABLES

Deposits and other receivables consisted of the following:

	June 30, 2014	December 31, 2013
Current portion		
a) Deposits paid for research and development of new medicine	$ 1,380,946	$ 2,781,323
b) Deposits paid for purchase of inventory	-	654,429
c) Receivable from disposition of two drug approval numbers	-	1,390,661
d) Receivable from land use rights disposed	-	455,427
Other receivables	10,746	734
Deposits and other receivables	$ 1,391,692	$ 5,282,574
Non-current portion		
e) Deposits paid for intended acquisition of a health product manufacturer	3,899,142	3,926,573
	$ 3,899,142	$ 3,926,573

a. Deposits paid for research and development less amounts recognized as research and development expense. In December 2010, the Company entered into an agreement with a research institution to jointly develop a new drug for treatment of cardiovascular disease. The development is to be carried out by the research institute. Pursuant to the agreement, the Company's total commitment is about $11.5 million, in exchange for 60% share of the intellectual property upon successful development of the drug. In the event that the research institute fails to successfully develop the drug, the Company's contribution is fully refundable.

b. Deposits paid for purchase of inventory represented prepayments of inventory to one supplier. As of June 30, 2014, the Company received the prepaid inventory.

c. During the year ended December 31, 2013, the Company sold intangible assets relating to two drug approval numbers with a carrying value of approximately $0.2 million to an arm's length party for approximately $1.4 million (RMB 8.5 million), resulting in a gain on disposal of approximately $1.2 million.

d. During the year ended December 31, 2011, the Company disposed two land use rights reclaimed by local governments. As of June 30, 2014, all land use rights receivables had been received.

e. In November 2013, the Company signed a letter of intent to acquire 100% interest in a health product manufacturer for an aggregate consideration of approximately $9.2 million (RMB 56 million), consisting of approximately $4.9 million (RMB 30 million) in cash and shares of the Company's common stock valued at approximately $4.3 million (RMB 26 million), subject to the completion of a due diligence report and certain conditions set out in the letter of intent being met. As at June 30, 2014, the due diligence report is still in progress. The deposit is fully refundable if certain conditions set out in the letter of intent are not met.

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Note 4 – LOAN RECEIVABLES

On November 20, 2012, the Company advanced RMB 60 million ($9.5 million) to a third party as a commercial loan, interest bearing at 13% per annum. The principal and interest were to be repaid on December 31, 2013. On December 31, 2013, the term of the loan was extended to June 30, 2014.

On June 30, 2014, the term of the loan was further extended to December 31, 2014. As of June 30, 2014, the loan receivable balance is approximately $9.7 million. For the six months ended June 30, 2012, the Company has received loaninterest income of $0.6 million (6 months period ended June 30, 2013, the Company received loan interest income of $Nil).

As at June 30, 2014 and December 31, 2013, the carrying amount of the loan receivables approximate its fair value due to short maturity.

Note 5 – SHORT-TERM BANK LOAN

On May 26 2014, the Company was granted RMB 20,000,000 (approximately $3.25 million) one year short-term bank loan from a local bank in the PRC, with annual interest rate at 7.44% for working capital purpose. The loan is secured by (i) personal guarantee executed by a major shareholder of the Company; (ii) pledge of the Company's buildings and land use right with carrying amount of approximately $3.6 million as of June 30, 2014 (note 2); and the guarantee executed by Shaanxi BioStar. The RMB 20,000,000 loan will become due on May 26 2015. As of June 30, 2014, no interest had been paid and recorded and the carrying amount of the short-term bank loans approximates the fair values.

Note 6 – STOCKHOLDERS' EQUITY

Reverse stock split

On April 3, 2012, the Company filed Articles of Amendment to the Company's Articles of Incorporation with the Secretary of State of the State of Maryland to effect a one-for-three reverse stock split of the issued and outstanding common stock of the Company (the "Reverse Split"). Par value remained unchanged at $0.001 after the reverse split. The Reverse Split became effective on April 3, 2012. The Reverse Split was duly approved by the Board of Directors of the Company without shareholder approval, in accordance with the authority conferred by Section 2-309(e)(2) of the Maryland General Corporation Law.

In accordance with SEC Staff Accounting Bulletin Topic 4C "Equity Accounts: Changes in Capital Structure", the changes in the capital structure arising from the Reverse Split must be given retroactive effect in the balance sheet, and an appropriately cross-referenced note should disclose the retroactive treatment, explain the change made and state the date the change became effective. Unless otherwise stated, the number and price of common stocks, including warrants and options and other related disclosures made throughout these consolidated financial statements retroactively reflected the effect of such Reverse Split.

(a) Common stock

As of June 30, 2014 and December 31, 2013, the Company has 100,000,000 shares of common stock authorized, 14,326,113 and 12,676,113 shares issued and outstanding at par value of $0.001 per share respectively.

For the year ended December 31, 2013	Shares issued	Value
	1,602,564	$ 1,362,179

i. issued in connection with the execution of the Weinan Supplemental Agreement, to acquire 13 drug approvals from the former equity holders of Shaanxi Weinan. (Note 1), valued at $0.85 per share, representing the fair value of the shares at the date of the execution of the Weinan Supplemental Agreement			
ii. awarded to employees based on 2012 Incentive Stock Plan, fair value at $0.82 per share	750,000		613,647
iii. issued to two consulting firm corporate advisory services during the year, average fair value at $1.00 per share	110,000		110,550
iv. issued to a consulting firm and the consulting firm's employees for an one year corporate advisory agreement from November 29, 2013, fair value at $1.81 per share	220,000		398,200
Total common stock issued during the year ended December 31, 2013	2,682,564	$	2,484,576

For the six months ended June 30, 2014	Shares issued		Value
v. issued to selected investors through public offering, valued at $2.49 per share less financing costs	1,650,000	$	3,862,533
Total common stock issued during the six months ended June 30, 2014	1,650,000	$	3,862,533

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The amount $3,862,533 is allocated to the following amounts :-

i) Common stock	1,650
ii) Warrant liabilities - note b)below	960,894
iv) Additional paid-in-capital	2,899,989
	$ 3,862,533

Common stock issued as stock awards for items ii), iii), and iv) above were fully vested and not subject to forfeiture when issued. For the stock awards issued for item iv), from November 29, 2013 up to June 30, 2014, $232,283 was recorded as stock-based compensation in the Consolidated Statement of Operations and Comprehensive Income and at June 30, 2014, $165,917 was recorded as deferred stock-based compensation in equity.

For the six months ended June 30, 2014 and 2013, stock-based compensation expense of $199,100 and $6,147 respectively was included in general and administrative expenses.

(b) Warrants

On March 13, 2014, in connection with a public offering (Note 6(a)v), the Company issued warrants to purchase an aggregate of 660,000 shares of common stock with a per share exercise price of $3.23. Additionally, the Company issued warrants to the placement agents to purchase 99,000 shares of common stock in the aggregate on the same terms as the warrants sold in the offering. The warrants are exercisable immediately as of the date of issuance and expiring three years from the date of issuance.

In accordance with the Company's stated accounting policy in note 2, the warrants are initially recognised as a financial liability at fair value at grant date. As the issuance of warrants and shares is a single transaction, an amount $960,894 was allocated from the net proceeds to the warrants. At June 30, 2014, a fair value adjustment of $393,162 reduced the fair value of warrant liabilities to $567,732 was made and recorded as a gain in the Consolidated of Statements of Operations and Comprehensive Income.

As at June 30, 2014 and December 31, 2013, the Company has 925,667 and 177,451 warrants outstanding, with weighted average exercise price of $4.27 and $8.95, respectively.

The following table summarizes the Company's outstanding warrants as of June 30, 2014 and December 31, 2013.

		Outstanding at,	
Expiry date	Exercise Price	June 30, 2014	December 31, 2013
June 30, 2014	$ 8.22	-	10,784
November 1, 2014*	9.00	166,667	166,667
March 12, 2017 **	3.23	759,000	-
		925,667	177,451

* The Company has the right at any time, on at least forty-five (45) day written notice, to redeem the outstanding warrants at a price of three cents ($0.03) per share provided the market price of the Company's common stock equals to or exceeds $13.5 on each trading day for twenty (20) consecutive trading days ending on the trading day prior to the date that the Company intends to redeem the warrants.

** The Company's recurring fair value measurements at June 30, 2014 were as follows:

	Fair Value as of June 30, 2014	Significant Unobservable Inputs (Level 3)
Liabilities:		
Warrants expiring March 2017	$ 567,732	$ 567,732

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The Company determined the fair value of the warrant liability using a Binomial model. The model considered amounts and timing of future possible equity and warrant issuances and historical volatility of the company's stock price.

Recurring Level 3 Activity, Reconciliation, and Basis for Valuation

The table below provides a reconciliation of the beginning and ending balances for the liabilities measured at fair value using significant unobservable inputs (Level 3).

Fair value measurements using significant unobservable inputs (Level 3):

Liabilities:		
Warrant liability at issuance date of March 13, 2014	$	960,894
Change in fair value of warrants		(393,162)
Warrant liability as of June 30, 2014	$	567,732

(c) Stock Options

The following tables summarize activities for the Company's options for the six months ended June 30, 2014.

		Weighted Average	
	Number of options	Exercise Price ($)	Remaining Life (years)
Balance, December 31, 2013	386,222	7.81	1.08
Balance, June 30, 2014	386,222	7.81	0.60
Vested and exercisable as at June 30, 2014	386,222	7.81	0.60

At June 30, 2014, there was no unrecognized compensation cost related to outstanding stock options.

Note 7 - INCOME TAXES

Pre-tax income for the six months ended June 30, 2014 and 2013 was taxable in the following jurisdictions:

	June 30, 2014		June 30, 2013	
PRC	$	1,917,628	$	730,336
Others		(132,872)		(203,991)
Total income before income taxes	$	1,784,756	$	526,345

The Company was incorporated in the United States of America ("USA") and has operations in one tax jurisdiction, i.e. the PRC. The Company generated substantially all of its net income from its operations in the PRC for the six months ended June 30, 2014 and 2013.

Uncertain Tax Positions

Interest associated with unrecognized tax benefits are classified as income tax, and penalties are classified in selling, general and administrative expenses in the statements of operations. For the six months ended June 30, 2014 and 2013, the Company had no unrecognized tax benefits and related interest and penalties expenses. Currently, the

Company is not subject to examination by major tax jurisdictions.

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The income tax provision at PRC consists of the following:

	June 30, 2014	June 30, 2013
Current taxes	$ 573,994	$ 465,452
Deferred taxes	(741,402)	230,899
Provision for income taxes	$ (167,408)	$ 696,351

The reconciliation of income taxes for income tax computed at the PRC federal statutory rate to income tax expenses is as follows:

	June 30, 2014	June 30, 2013
PRC federal statutory tax rate	25 %	25 %
Computed expected income tax expense	$ 446,189	$ 131,586
Utilisation of tax losses not recognised	(310,191)	-
Tax effect of unused tax losses not recognised	42,026	181,760
Tax effect of non-deductible expenses	940,539	788,061
Tax effect of non-taxable income	(1,285,971)	(405,056)
Income tax	$ (167,408)	$ 696,351

Note 8 - STATUTORY RESERVES

The Company's subsidiaries and VIE in the PRC are required to make appropriations to certain non-distributable reserve funds. In accordance with the laws and regulations applicable to China's foreign investment enterprises and with China's Company Laws, an enterprise's income, after the payment of the PRC income taxes, must be allocated to the statutory surplus reserves. The proportion of allocation for reserves is 10 percent of the profit after tax to the surplus reserve fund, and the cumulative amount shall not exceed 50 percent of registered capital.

Use of the statutory reserve fund is restricted to set offs against losses, expansion of production and operation or increase in the registered capital of a company. Use of the statutory public welfare fund is restricted to the capital expenditures for the collective welfare of employees. These reserves are not transferable to the Company in the form of cash dividends, loans or advances. These reserves are therefore not available for distribution except in liquidation. As of June 30, 2014 and December 31, 2013, the Company's VIE had allocated approximately $7.1 million and $7.1 million, respectively, to these non-distributable reserve funds.

Note 9 - EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share of common stock:

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Basic earnings per share:		
Numerator:		
Net income (loss) used in computing basic earnings per share	$ 1,952,164	$ (170,006)

Denominator:				
Weighted average common shares outstanding		13,678,875		10,777,025
Basic earnings (loss) per share	$	0.14	$	(0.02)
Diluted earnings per share:				
Numerator:				
Net income (loss) used in computing diluted earnings per share	$	1,952,164	$	(170,006)
Denominator:				
Weighted average common shares outstanding		13,678,875		10,777,025
Weighted average effect of dilutive securities:				
Stock warrants and options		2,955		-
Shares used in computing diluted earnings per share		13,681,830		10,777,025
Diluted earnings (loss) per share	$	0.14	$	(0.02)

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	Three Months Ended June 30, 2014		Three Months Ended June 30, 2013	
Basic earnings per share:				
Numerator:				
Net income (loss) used in computing basic earnings per share	$	1,645,494	$	(730,980)
Denominator:				
Weighted average common shares outstanding		14,326,113		11,560,501
Basic earnings (loss) per share	$	0.11	$	(0.06)
Diluted earnings per share:				
Numerator:				
Net income (loss) used in computing diluted earnings per share	$	1,645,494	$	(730,980)
Denominator:				
Weighted average common shares outstanding		14,326,113		11,560,501
Weighted average effect of dilutive securities:				
Stock warrants and options		-		-
Shares used in computing diluted earnings per share		14,326,113		11,560,501
Diluted earnings (loss) per share	$	0.11	$	(0.06)

Dilutive securities having an anti-dilutive effect on diluted earnings per share are excluded from the calculation.

Note 10 - COMMITMENTS

i) Acquisition of a health product manufacturer

In November 2013, the Company signed a letter of intent to acquire 100% interest in a health product manufacturer for an aggregate consideration of approximately $9.2 million (RMB 56 million), consisting of approximately $4.9 million (RMB 30 million) in cash and shares of the Company's common stock valued at approximately $4.3 million (RMB 26 million), subject to the completion of a due diligence report and certain conditions set out in the letter of intent being met. As of June 30, 2014, the Company has paid a deposit of approximately $3.9 million which is fully refundable if certain conditions set out in the letter of intent are not met. If the conditions set out in the letter of intent are met, the Company will be committed to pay the remaining $1 million in cash and $4.3 million in stocks.

ii) Capital commitment contracted but not yet provided for :-

	2014 Q2 USD	
At June 30, 2014, the Company has commitment contracted but not provided for		
- Construction in process	471,146	(RMB 2,900,000)
- Acquisition of machinery	5,743	(RMB 35,350)
	476,889	(RMB 2,935,350)

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Note 11 - ACCUMULATED OTHER COMPREHENSIVE INCOME

Balance of related after-tax components comprising accumulated other comprehensive income included in stockholders' equity as of June 30, 2014 and December 31, 2013 were as follows:

	June 30, 2014	December 31, 2013
Accumulated other comprehensive income, beginning of period	$ 6,600,454	$ 4,528,868
Change in foreign currency translation adjustment	(435,030)	2,071,586
Accumulated other comprehensive income, end of period	$ 6,165,424	$ 6,600,454

Note 12 - SEGMENT INFORMATION

For the six months ended June 30, 2014 and 2013, all revenues of the Company represented the net sales of pharmaceutical products. No financial information by business segment is presented. Furthermore, as all revenues are derived from the PRC, no geographic information by geographical segment is presented. All tangible and intangible assets are located in the PRC.

Note 13 –RISKS CONCENTRATION

For the six months ended June 30, 2014, two customers accounted for 50% of the Company's total revenue. The loss of any of these customers could have a material adverse effect on the Company's financial position and results of operations.

The following table illustrates the Company's risks concentration:

Sales risks concentration

Customer	Percentage of total sales during the Six Months Ended June 30, 2014	2013
A	25%	16%
B	25%	17%
Total risks concentration	50%	33%

Note 14 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events for potential recognition and disclosure through the date of financial statements are issued.

On July 17, 2014, the Company filed with the Securities and Exchange Commission a Registration Statement on Form S-8 (the "Registration Statement") under the Securities Act of 1933 (the "Act"), registering a total of 1,150,000 shares of the Company's common stock, par value $0.001 per share (the "Shares"), issuable pursuant to the 2013 Equity Incentive Plan (the "Plan").

The purpose of the “Plan is to attract and retain outstanding individuals as key employees, directors and consultants of the Company and its subsidiaries, to recognize their contributions made to the Company and its subsidiaries and to provide such key employees, directors and consultants with additional incentive to expand and improve the profits and achieve the objectives of the Company and its subsidiaries, by providing them with the opportunity to acquire or increase their proprietary interest in the Company through receipt of awards.

No other significant event occurred subsequent to the June 30, 2014 to the date these consolidated financial statements are filed with the Securities Exchange Commission that would have a material impact on the Company’s consolidated financial statements.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our financial statements and the notes thereto which appear elsewhere in this report. The results shown herein are not necessarily indicative of the results to be expected in any future periods. This discussion contains forward-looking statements based on current expectations, which involve uncertainties. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "estimate," "plan," "project," "predict," "potential," "continue," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," or the negative of these terms or other comparable terminology. All forward-looking statements included in this document are based on information available to the management on the date hereof. Actual results and the timing of events could differ materially from the forward-looking statements as a result of a number of factors. Readers should also carefully review factors set forth in other reports or documents that we file from time to time with the Securities and Exchange Commission.

You should read the following discussion and analysis in conjunction with our unaudited financial statements contained in this report as well as the audited financial statements, "Management's Discussion and Analysis of Financial Condition and Results of Operation's and Risk Factors" contained in our Annual Report on Form 10-K, for the fiscal year ended December 31, 2013 and subsequent public filings of the Company. We undertake no obligation and do not intend to update, revise or otherwise publicly release any revisions to our forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of any unanticipated events.

Overview

Biostar Pharmaceuticals, Inc. ("we", the "Company" or "Biostar") was incorporated on March 27, 2007 in the State of Maryland. Our business operation is conducted in China primarily through our variable interest entity ("VIE"), Shaanxi Aoxing Pharmaceutical Co., Ltd. ("Aoxing Pharmaceutical"), which we control through contractual arrangements between Aoxing Pharmaceutical and our wholly owned subsidiary, Shaanxi Biostar Biotech Ltd. ("Shaanxi Biostar").

On March 28, 2010, we, through Shaanxi Biostar, entered into an agreement to acquire the assets of Xi'an Meipude Bio-Technology Co., Ltd., a Xi'an-based medical equipment manufacturer ("Meipude"), for RMB7.85 million ($1.2 million), including certain assets registered to a family member of an original Meipude shareholder. We took control over the assets of Meipude on March 29, 2010. To facilitate the transfer of some of the assets, however, we were required to acquire all of the outstanding equity interests of Meipude, which we subsequently applied for deregistration on January 18, 2011.

In October 2011, Aoxing Pharmaceutical entered into a Share Transfer Agreement to acquire Shaanxi Weinan Huaren Pharmaceuticals, Ltd. ("Shaanxi Weinan") from the holders of 100% of equity interests in Shaanxi Weinan. The aggregate purchase price is RMB 61 million (approximately $9.55 million), in cash and payable in several tranches.

Shaanxi Weinan owns drug approvals and permits for a portfolio of 86 drugs and one health product, all of which, were added to the Company's current drug portfolio following the completion of this acquisition. The Company completed this acquisition on October 25, 2011, and the name of the acquired company changed to Shaanxi Weinan Aoxing Pharmaceuticals, LLC. We are in the process of integrating the administration, operation and sales functions of Shaanxi Weinan with those of Aoxing Pharmaceutical.

In April 2013, Aoxing Pharmaceutical executed a supplemental agreement to the Weinan Share Transfer Agreement (the "Weinan Supplemental Agreement") with all the former equity holders of Shaanxi Weinan to acquire 13 drug approval numbers which were excluded from the Weinan Share Transfer Agreement due to incomplete re-registration. The Company acquired ownership of the 13 drug approval numbers for which re-registration has been completed in April 2013. The aggregate purchase price was approximately $10.2 million, consisting of approximately

$8.8 million in cash and 1,602,564 shares of the Company's common stock, valued at approximately $1.4 million.

We currently manufacture and sell six over-the-counter ("OTC") medications, fourteen prescription-based pharmaceuticals, six health products, and one medical device which are sold and distributed in over 25 provinces and provincial-level cities throughout China. We also have exclusive supply contract with a hospital to supply four pharmaceutical products. Our best-selling product, Xin Ao Xing Oleanolic Acid Capsule ("Xin Aoxing Capsule"), is a state-approved OTC drug for treatment of Hepatitis B.

Agreement to co-develop new liver cancer drug

In March 2014, the Company signed a letter of intent with the Research Institute of Pharmaceuticals at Shaanxi University of Chinese Medicine to develop a new liver cancer drug based on Oleanolic Acid injection.

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March 2014 Registered Offering

On March 10, 2014, Biostar and certain institutional investors entered into a securities purchase agreement (the "Purchase Agreement") in connection with an offering ("Offering") pursuant to which the Company agreed to sell, and the investors agreed to purchase 1,650,000 shares of the Company's common stock and warrants to purchase up to 660,000 shares of the Company's common stock, for aggregate gross proceeds, before deducting fees to the placement agents and other estimated offering expenses payable by the Company, of approximately $4.1 million. The warrants will be immediately exercisable upon issuance and will remain exercisable for three years thereafter at an exercise price of $3.23 per share. The exercise price and number of shares underlying the warrants are subject to adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions. The net proceeds from the offering will be used for working capital and other general corporate purposes. Moody Capital Solutions, Inc. and Axiom Capital Management, Inc. served as the placement agents for the offering. The Offering was effected as a takedown off the Company's shelf registration statement on Form S-3 (File No. 333-192963), which became effective on January 3, 2014, pursuant to a prospectus supplement to be filed with the Securities and Exchange Commission.

Results of Operations

Net Sales

	Three Months Ended June 30,				%
	2014		2013		change
Aoxing Pharmaceutical Products		%		%	
Xin Aoxing Oleanolic Acid Capsule	$ 5,840,766	30.4%	$ 6,109,232	41.7%	(4.4)%
Other Aoxing Pharmaceutical products	4,072,364	21.2%	3,773,195	25.8%	7.9%
Aoxing new products	2,575,365	13.5%	503,589	3.4%	411.4%
Sub-total	12,488,495	65.1%	10,386,016	70.9%	20.2%
Shannxi Weinan Products					
Shaanxi Weinan products	3,035,577	15.8%	1,864,267	12.7%	62.8%
Shaanxi Weinan products (new)	173,558	0.9%	452,701	3.1%	(61.7)%
Sub-total	3,209,135	16.7%	2,316,968	15.8%	38.5%
Hospital products	3,501,224	18.2%	1,947,870	13.3%	79.7%
Total sales	$ 19,198,854	100.0%	$ 14,650,854	100.0%	31.0%

For the three months ended June 30, 2014, total net sales increased by approximately $4.5 million or 31.0% compared to the same period in 2013. The increase is mainly attributable to the increase in sales volume of other Aoxing products, hospital products and Weinan products and the addition of 2 new products at Aoxing. We believe that the increase in sales volume is mainly due to the increased acceptance of our products by hospitals. Our sales prices did not materially change in the first six months of 2014.

	Six Months Ended June 30,				%
	2014		2013		change
Aoxing Pharmaceutical Products		%		%	
	$10,918,075	33.7 %	$11,553,160	43.2 %	(5.5)%

Xin Aoxing Oleanolic Acid Capsule					
Other Aoxing Pharmaceutical products	7,043,858	21.8 %	6,275,369	23.5 %	12.2 %
Aoxing new products	2,575,365	8.0 %	613,744	2.3 %	319.6 %
Sub-total	20,537,298	63.5 %	18,442,273	69.0 %	11.4 %
Shannxi Weinan Products					
Shaanxi Weinan products	5,763,322	17.8 %	3,503,745	13.1 %	64.5 %
Shaanxi Weinan products (new)	404,507	1.2 %	896,437	3.4 %	(54.9)%
Sub-total	6,167,829	19.0 %	4,400,182	16.5 %	40.2 %
Hospital products	5,674,891	17.5 %	3,900,308	14.6 %	45.5 %
Total sales	$32,380,018	100.0 %	$26,742,763	100.0 %	21.1 %

For the six months ended June 30, 2014, total net sales increased by approximately $5.6 million or 21.1% compared to the same period in 2013. We believe that increase is mainly attributable to the increase in sales volume of other Aoxing products and Weinan products and the addition of 2 new products at Aoxing during the second quarter and 4 new products, hospital products at Shaanxi Weinan during the first quarter of 2014. We believe that the increase in sales volume is mainly due to the increased acceptance of our products by hospitals. Our sales prices did not materially change in the first quarter of 2014.

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Cost of sales

	Three Months Ended June 30, 2014	%	2013	%	% change
Aoxing Pharmaceutical Products					
Xin Aoxing Oleanolic Acid Capsule	$ 1,005,172	10.1%	$ 2,369,943	30.5%	(57.6)%
Other Aoxing Pharmaceutical products	2,880,488	29.0%	2,656,677	34.2%	8.4%
Aoxing new products	2,103,151	21.2%	362,676	4.7%	479.9%
Sub-total	5,988,811	60.3%	5,389,296	69.3%	11.1%
Shannxi Weinan Products					
Shaanxi Weinan products	1,315,367	13.2%	806,400	10.4%	63.1%
Shaanxi Weinan products (new)	117,206	1.2%	188,389	2.4%	(37.8)%
Sub-total	1,432,573	14.4%	994,789	12.8%	44.0%
Hospital products	2,509,932	25.3%	1,387,319	17.9%	80.9%
Total cost of sales	$ 9,931,316	100.0%	$ 7,771,404	100.0%	27.8%

For the three months ended June 30, 2014, cost of sales increased by approximately $2.2 million or 27.8%, compared to the same period in 2013. This increase is mainly due to the increase in sales volume of other Aoxing products and Weinan existing products and the addition of 2 new Aoxing products. The increase in the production workers' salary also contributed to the increase in the cost of sales.

The % change in cost of sales of Xin Aoxing decreased greater than the change in net sales because in 2013, as a promotion, Xin Aoxing was sold in bundle with some gift products which cost was also included in Xin Aoxing's cost of sales.

The % change in cost of sales of hospital products increased in greater % than net sales was mainly due to the higher labor costs.

	Six Months Ended June 30, 2014	%	2013	%	% change
Aoxing Pharmaceutical Products					
Xin Aoxing Oleanolic Acid Capsule	$ 1,829,284	11.5%	$ 3,737,613	28.4%	(51.1)%
Other Aoxing Pharmaceutical products	4,984,526	31.4%	4,322,900	32.8%	15.3%
Aoxing new products	2,103,151	13.3%	442,335	3.4%	375.5%
Sub-total	8,916,961	56.2%	8,502,848	64.6%	4.9%
Shannxi Weinan Products					
Shaanxi Weinan products	2,554,612	16.1%	1,510,296	11.5%	69.1%
Shaanxi Weinan products (new)	305,429	1.9%	380,216	2.9%	(19.7)%
Sub-total	2,860,041	18.0%	1,890,512	14.3%	51.3%

Hospital products	4,082,390	25.8%	2,781,063	21.1%	46.8%
Total cost of sales	$ 15,859,392	100.0%	$ 13,174,423	100.0%	20.4%

For the six months ended June 301, 2014, cost of sales increased by approximately $2.7 million or 20.4%, compared to the same period in 2013. This increase is mainly due to the increase in sales volume of other Aoxing products and Weinan existing products and the addition of 2 new Aoxing products and 4 new products at Shaanxi Weinan. The increase in the production workers' salary also contributed to the increase in the cost of sales.

The % change in cost of sales of Xin Aoxing decreased greater than the change in net sales because in 2013, as a promotion, Xin Aoxing was sold in bundle with some gift products which cost was also included in Xin Aoxing's cost of sales.

The % change in cost of sales of hospital products increased in greater % than net sales was mainly due to the higher labor costs.

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Gross Profit

	Three Months Ended June 30, 2014		Three Months Ended June 30, 2013	
	Gross Profit	Product Gross Margin %	Gross Profit	Product Gross Margin %
Aoxing Pharmaceutical Products				
Xin Aoxing Oleanolic Acid Capsule	$ 4,835,594	82.8%	$ 3,739,289	61.2%
Other Aoxing Pharmaceutical products	1,191,876	29.3%	1,116,518	29.6%
Aoxing New Product	472,214	18.3%	140,913	28.0 %
Sub-total	6,499,684	52.0%	4,996,720	48.1%
Shaanxi Weinan Products				
Shaanxi Weinan products	1,720,210	56.7%	1,057,867	56.7%
Shaanxi Weinan products (new)	56,352	32.5%	264,312	58.4%
Sub-total	1,776,562	55.4%	1,322,179	57.1%
Hospital products	991,292	28.3%	560,551	28.8%
Total gross profit	$ 9,267,538	48.3%	$ 6,879,450	47.0%

Gross profit increased by approximately $2.4 million or 34.7% for the three months ended June 30, 2014, as compared to the same period in 2013. The increase in gross profit was due primarily to the increase in sales volume of Other Aoxing Pharmaceutical products and Weinan existing products. The addition of 2 new products at Aoxing also contributed to the increase in gross profit.

The overall gross profit margin was largely unchanged in the second quarter of 2014 compared to the same period of last year mainly because the increase in labor cost was offset by the decrease in the cost of sales of Xin Aoxing as mentioned above.

	Six Months Ended June 30, 2014		Six Months Ended June 30, 2013	
	Gross Profit	Product Gross Margin %	Gross Profit	Product Gross Margin %
Aoxing Pharmaceutical Products				
Xin Aoxing Oleanolic Acid Capsule	$ 9,088,791	83.2%	$ 7,815,547	67.7%
Other Aoxing Pharmaceutical products	2,059,332	29.2%	1,952,469	31.1%
Aoxing New Product	472,214	18.3%	171,409	27.9 %
Sub-total	11,620,337	56.6%	9,939,425	53.9%
Shaanxi Weinan Products				
Shaanxi Weinan products	3,208,710	55.7%	1,993,449	56.9%
Shaanxi Weinan products (new)	99,079	24.5%	516,221	57.6%
Sub-total	3,307,789	53.6%	2,509,670	57.0%
Hospital products	1,592,500	28.1%	1,119,245	28.7%

Total gross profit	$	16,520,626	51.0%	$	13,568,340	50.7%

Gross profit increased by approximately $3.0 million or 21.8% for the six months ended June 301, 2014, as compared to the same period in 2013. The increase in gross profit was due primarily to the increase in sales volume of Other Aoxing Pharmaceutical products and Weinan existing products. The addition of 2 new products at Aoxing and 4 new products at Weinan also contributed to the increase in gross profit.

The overall gross profit margin was largely unchanged in the first half of 2014 compared to the same period of last year mainly because the increase in labor cost was offset by the decrease in the cost of sales of Xin Aoxing as mentioned above.

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Operating Expenses

	Three months ended June 30,				
	2014		2013		
	Operating expenses	% of net sales	Operating expenses	% of net sales	% change
Advertising expenses	$ 2,318,826	12.1%	$ 2,550,271	17.4%	(9.1)%
Selling expenses	2,537,288	13.2%	2,621,288	17.9%	(3.2)%
General and administrative expenses	3,266,588	17.0%	1,458,818	10.0%	123.9%
Research and development expenses	689,488	3.6%	805,613	5.5%	(14.4)%
Impairment of intangible assets	-	-	238,192	1.6%	(100)%
Total operating expenses	$ 8,812,190	45.9 %	$ 7,674,182	52.4%	14.8%

Total operating expense increased by approximately $1.1 million or 14.8% for the three months ended June 30, 2014, as compared to the same period last year. The increase is attributable to the increase in general and administrative expenses. During the period ended June 30, 2014 and 2013, the Company made provision for doubtful accounts of $1.5 million and Nil.

Advertising expenses accounted for 12.1% and 17.4% of total net sales for the three months ended June 30, 2014 and 2013, respectively. As market of our products and sales channels is becoming more established, and our brands are becoming more known to households, we have been reducing the amount spent on advertising campaigns.

Selling expenses consist mostly of sales salaries, commission and other selling expenses. The expenses were consistent with the same period of last year with slight decrease. As market of our products and sales channels is becoming more established, and our brands are becoming more known to households, we have also been reducing the amount spent on selling activities.

General and administrative expenses consist of salaries and wages, amortization and depreciation, stock based compensation and other general and administrative expenses. During the three months ended June 30, 2014 and 2013, general and administrative expenses increased by $1.8 million or 123.9% mainly due to a provision for doubtful accounts of $1.5 million (during the three months ended June 30, 2013, the amount was Nil) as a result of uncertainties on the collectability of accounts receivable.

We make periodical assessments as to the progress of our research and development projects, and charge to expense as appropriate, as these projects reach different stages or project milestones. We incurred approximately $0.7 million and $0.8 million in research and development expenses for the three months ended June 30, 2014 and 2013, respectively.

	Six months ended June 30,				
	2014		2013		
	Operating expenses	% of net sales	Operating expenses	% of net sales	% change
Advertising expenses	$ 4,107,367	12.7%	$ 4,436,952	16.6%	(7.4)%
Selling expenses	4,472,010	13.8%	4,818,634	18.0%	(7.2)%
General and administrative expenses	6,864,581	21.2%	2,536,566	9.5%	170.6%

Research and development expenses	1,384,432	4.3%	1,601,614	6.0%	(13.6)%
Impairment of intangible assets	-	-	238,192	0.9%	(100)%
Total operating expenses	$ 16,828,390	52.0 %	$ 13,631,958	51.0%	23.4%

Total operating expense increased by approximately $3.2 million or 23.4% for the six months ended June 30, 2014, as compared to the same period last year. The increase is attributable to the increase in general and administrative expenses. During the period ended June 30, 2014, the Company made provision for doubtful accounts of $3.8 million.

Advertising expenses accounted for 12.7% and 16.6% of total net sales for the six months ended June 30, 2014 and 2013, respectively. As market of our products and sales channels is becoming more established, and our brands are becoming more known to households, we have been reducing the amount spent on advertising campaigns.

Selling expenses consist mostly of sales salaries, commission and other selling expenses. Overall decrease was approximately $0.3 million or 7.2%. As market of our products and sales channels is becoming more established, and our brands are becoming more known to households, we have also been reducing the amount spent on selling activities.

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General and administrative expenses consist of salaries and wages, amortization and depreciation, stock based compensation and other general and administrative expenses. During the six months ended June 30, 2014 and 2013, general and administrative expenses increased by $4.3 million or 170.6% mainly due to a provision for doubtful accounts of $3.8 million (during the six months ended June 30, 2013, the amount was Nil) as a result of uncertainties on the collectability of accounts receivable.

We make periodical assessments as to the progress of our research and development projects, and charge to expense as appropriate, as these projects reach different stages or project milestones. We incurred approximately $1.4 million and $1.6 million in research and development expenses for the six months ended June 30, 2014 and 2013, respectively.

Provision for Income Taxes

For the three months ended June 30, 2014, we had income tax recovery of approximately 0.5 million and for the same period in 2013, our income tax expense were approximately $0.2 million. For the six months ended June 30, 2014 our income tax recovery was approximately $0.2 million and for the same period in 2013 our income tax expenses were approximately $0.7 million. The tax recovery in 2014 was mainly due to deferred tax assets of Aoxing increased by approximately 0.5 million as of June 30, 2014 compared with that as of December 31, 2013. The uniform corporate income tax rate is 25% in China. The calculation of effective tax rate includes the operating results of all our subsidiaries, including the U.S. corporate company.

Liquidity and Capital Resources

As of June 30, 2014, we had cash and cash equivalents of approximately $9.3 million and net working capital of approximately $36.4 million. On March 10, 2014, we and certain institutional investors entered into a securities purchase agreement in connection with an offering pursuant to which the Company agreed to sell, and the investors agreed to purchase 1,650,000 shares of the Company's common stock and warrants to purchase up to 660,000 shares of the Company's common stock, for aggregate gross proceeds, before deducting fees to the placement agents and other estimated offering expenses payable by the Company, of approximately $4.1 million. The net proceeds from the offering will be used for working capital and other general corporate purposes. At June 30, 2014, cash and cash equivalents were mainly denominated in RMB and were placed with banks in the PRC. These cash and cash equivalents may not be freely convertible into foreign currencies and the remittance of these funds out of the PRC may be subjected to exchange control restrictions imposed by the PRC government.

On an on-going basis, we take steps to identify and plan our needs for liquidity and capital resources, to fund our operations and day to day business operations. Our future capital expenditures will include, among others, expanding product lines, research and development capabilities, and making acquisitions as deemed appropriate.

Based on our current plans for the next 12 months, we anticipate that the sales of the Company's pharmaceutical products will be the primary organic source of funds for future operating activities in 2014. However, to fund continued expansion of our operation and extend our reach to broader markets, and to acquire additional entities, as we may deem appropriate, we may rely on bank borrowing, if available, as well as capital raises. There is no assurance that we will find such funding on acceptable terms, if at all.

Net cash provided by operating activities for the six months ended June 30, 2014 was approximately $1 million. This was primarily due to our net income of approximately $2.0 million, adjusted by non-cash related expenses including provision for doubtful accounts of approximately $3.8 million, depreciation and amortization of approximately $1.6 million, research and development expenses of $1.4 million, stock-based compensation of approximately $0.2 million, fair value adjustment on warrant liability of $0.4 million and non-cash decrease in deferred tax assets of approximately $0.7 million, then decreased by unfavorable changes in working capital of $6.8 million. The unfavorable changes in working capital mainly resulted from an increase in accounts receivable, partly offset by a decreased in inventories, deposit and other receivable, an increased in accounts payable and accrued expenses and an increase in value-added tax payable.

Net cash provided by/(used in) investing activities for the six months ended June 30, 2014 and 2013 was approximately 1.1 million and ($0.7) million, respectively, consisting mainly of settlement of receivable from disposal of land use right approximately $1.6 million (six months ended June 30, 2013 : approximately $0.3 million) net of additions to construction in progress approximately $0.5 million (six months ended June 30, 2013 : approximately $1 million).

Net cash provided by financing activities for the six months ended June 30, 2014 was approximately $7.2 million, consisting net proceeds of $3.9 million from a public offering with warrants and $3.3 million proceeds of short-term bank loan. Net cash used in financing activities for the six months ended June 30, 2013 was approximately $1.6 million, consisting repayment of an advance from a related party.

Critical Accounting Policies

We believe the following critical accounting policies, among others, affect management’s more significant judgments and estimates used in the preparation of the financial statements:

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Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The allowance for doubtful accounts is based on specific identification of customer accounts and management's best estimate of the likelihood of potential loss, taking into account such factors as the financial condition and payment history of major customers. Management evaluates the collectability of the receivables at least quarterly. If the financial condition of a customer was to deteriorate further, resulting in an impairment of their ability to make payments, additional allowances may be required. Such differences could be material and could significantly impact cash flows from operating activities.

The following are steps the Company takes in collecting accounts receivable:
Step 1: After the payment term has been exceeded, the Company stops taking orders from the delinquent customer and allows the responsible sales person three to six months to collect the accounts receivable. Most of the accounts receivable will be collected in this step because the sales person's compensation is tied to sales receipts. The Company's normal sales term is 90 days credit period.

Step 2: If the sales person's collection efforts are not successful, the Company hires a collection agent and allows the agent another three to six months to collect the accounts receivable.

Step 3: If the collection agent's efforts are not successful, the Company will commence legal action to collect the accounts receivable.

Our policies for writing off the accounts receivable are as follows:

1. If after taking legal action, it appears that an accounts receivable is not likely to become collectible, such accounts receivable will be written off if it is more than two years old.

2. If during the collection period, the customer provides bankruptcy or other insolvency documentation, the corresponding accounts receivable will be written off.

3. If we are no longer able to locate a particular customer in order for us to take any collection or legal actions, the accounts receivable for such customer will be written off if it is more than two years old.

Inventory

We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand, future pricing and market conditions. If actual future demands, future pricing or market conditions are less favorable than those projected by management, additional inventory write-downs may be required and the differences could be material. Such differences might significantly impact cash flows from operating activities.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Judgment is required to determine the estimated useful lives of assets, especially for computer equipment, including determining how long existing equipment can function and when new technologies will be introduced at cost-effective price points to replace existing equipment. Changes in these estimates and assumptions could materially impact the financial position and results of operations.

Stock-Based Compensation

Our stock-based compensation expense is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes-Merton (BSM) option-pricing model and is recognized as expense over the requisite service period. The BSM model requires various highly judgmental assumptions including expected volatility and option life. Changes in these assumptions could materially impact the financial position and results of operations.

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Valuation of Intangibles

From time to time, we acquire intangible assets that are beneficial to our product development processes. Management periodically evaluates the carrying value of intangibles, including the related amortization periods. In evaluating acquired intangible assets, management determines whether there has been impairment by comparing the anticipated undiscounted cash flows from the operation and eventual disposition of the product line with its carrying value. If the undiscounted cash flows are less than the carrying value, the amount of the impairment, if any, will be determined by comparing the carrying value of each intangible asset with its fair value. Fair value is generally based on either a discounted cash flows analysis or market analysis. Future operating income is based on various assumptions, including regulatory approvals, patents being granted, and the type and nature of competing products. If regulatory approvals or patents are not obtained or are substantially delayed, or other competing technologies are developed and obtain general market acceptance or market conditions otherwise change, our intangibles may have a substantially reduced value, which could be material.

Research and Development

The remuneration of the Company's research and development staff, materials used in internal research and development activities, and payments made to third parties in connection with collaborative research and development arrangements, are all expensed as incurred. Where the Company makes a payment to a third party to acquire the right to use a product formula which has received regulatory approval, that payment is accounted for as the acquisition of a license or patent and is capitalized as an intangible asset and amortized over the shorter of the remaining license period or patent life (See above "Intangible Assets").

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating losses and tax credit carry-forwards. Management must make assumptions, judgments and estimates to determine the current provision for income taxes and the deferred tax assets and liabilities and any valuation allowance to be recorded against a deferred tax asset. Management's judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, management's interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or management's interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in the financial statements. Management's assumptions, judgments and estimates relative to the value of a deferred tax asset take into account predictions of the amount and category of future taxable income, such as income from operations. Actual operating results and the underlying amount and category of income in future years could render management's current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ from the estimates, thus materially impact the financial position and results of operations.

Foreign Currency

Our functional currency is the U.S. dollar, and our subsidiary and our VIE in China use their respective local currencies as their functional currencies, i.e. the RMB. An entity's functional currency is the currency of the primary economic environment in which the entity operates. Management must use judgment in determining an entity's functional currency, assessing economic factors including cash flow, sales price, sales market, expense, financing and inter-company transactions and arrangements. The impact from exchange rate changes related to transactions denominated in currencies other than the functional currency is recorded as a gain and loss in the statements of operations, while the impact from exchange rate changes related to translating a foreign entity's financial statements from the functional currency to its reporting currency, the U.S. dollar, is disclosed and accumulated in a separate component under the equity section of the balance sheets. Different judgments or assumptions resulting in a change of functional currency may materially impact our financial position and results of operations.

Business Combinations

Business combinations are accounted for under the acquisition method of accounting in accordance with ASC 805, Business Combinations. Under the acquisition method the acquiring entity in a business combination recognizes 100 percent of the acquired assets and assumed liabilities, regardless of the percentage owned, at their estimated fair values as of the date of acquisition. Any excess of the purchase price over the fair value of net assets and other identifiable intangible assets acquired is recorded as goodwill. To the extent the fair value of net assets acquired, including other identifiable assets, exceed the purchase price, a bargain purchase gain is recognized. Assets acquired and liabilities assumed from contingencies must also be recognized at fair value, if the fair value can be determined during the measurement period. Results of operations of an acquired business are included in the statement of earnings from the date of acquisition. Acquisition-related costs, including conversion and restructuring charges, are expensed as incurred. We adopted this guidance as of January 1, 2010 and applied it to the Meipude and Shaanxi Weinan acquisitions.

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Contractual Obligations

The following table sets forth our contractual obligations as of June 30, 2014:

	Payments due by period ($ million)				
	Total	Within 1 year	1-3 years	3-5 years	>5 years
Research and development contracts	0.8	0.8	-	-	-
Purchase of a health product manufacturer	5.3	5.3	-	-	-
Weinan construction project and purchase of machinery	0.5	0.5	-	-	-
				-	-
Total contractual obligations	$ 6.6	$ 6.6	$ -	-	-

Inflation

Management believes that inflation has not had a material effect on our results of operations.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, as defined in Regulation S-K Section 303(a)(4).

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a “smaller reporting company” as defined by Regulations S-K and as such, are not required to provide this information.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q (the “Evaluation Date”), under the supervision and with the participation of our management, including the Chief Executive Officer and Interim Chief Financial Officer (the “Certifying Officers”), have evaluated the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Certifying Officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective such that the material information required to be filed with our SEC reports is recorded, processed, summarized, and reported within the required time periods specified in the SEC rules and forms.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

At present, the Company is not engaged in or the subject of any material pending legal proceedings.

Item 1A. Risk Factors.

We are a “smaller reporting company” as defined by Regulations S-K and as such, are not required to provide this information.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the six months ended June 30, 2014, neither the Company, nor any of its affiliated purchasers repurchased any of the Company’s securities. The Company did not sell any unregistered securities during the same fiscal period.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

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Item 6. Exhibits.

1.1	Placement Agency Agreement, dated March 1, 2014, by and away the Company, Moody Capital Solutions, Inc. and Axiom Capital Management, Inc. (7)
3.1	Articles of Incorporation filed with the corporate secretary of State of the State of Maryland on March 27, 2007 (1)
3.2	Articles of Amendment filed with the corporate secretary of State of the State of Maryland on August 1, 2007 (1)
3.3	Articles of Amendment filed with the corporate secretary of State of the State of Maryland on September 14, 2007 (1)
3.4	Certificate of Designation for the Series B Convertible Preferred Stock as filed with the corporate secretary of State of Maryland on November 2, 2009 (2)
3.5	Articles of Amendment to the Articles of Incorporation of Biostar Pharmaceuticals, Inc. (3)
3.6	Bylaws (1)
4.1	2009 Incentive Stock Plan ** (4)
4.2	2011 Stock Option Compensation Plan (5)**
4.3	2012 Stock Option Compensation Plan (6)**
4.1	Form of Warrant to purchase Shares of Common Stock by the Company in favor of the Investors. (7)
10.1	Securities Purchase Agreement, dated March 10, 2014, by and between the Company and the Investors. (7)
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32.1	Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *
32.2	Certification of the Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Document

* Filed herewith.
** Management agreement or compensatory plan or agreement.

(1) Incorporated by reference from the Company's Registration Statement on Form SB-2 (File No. 333-147363) filed with the SEC on November 13, 2007.
(2) Incorporated by reference from the Company's Current Report on Form 8-K filed with the SEC on November 3, 2009.
(3) Incorporated by reference from the Company's Current Report on Form 8-K filed with the SEC on April 4, 2012.
(4) Incorporated by reference from the Company's Schedule 14A filed with the SEC on October 1, 2010.
(5) Incorporated by reference from the Company's Registration Statement on Form S-8 filed with the SEC on August 17, 2012.

(6) Incorporated by reference from the Company’s Proxy Statement on Schedule 14A filed with the SEC on September 21, 2012.
(7) Incorporated by reference from the Company’s Current Report on Form 8-K filed with the SEC on March 10, 2014.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIOSTAR PHARMACEUTICALS, INC.
(Registrant)

Date: August 14, 2014	By:	/s/ Ronghua Wang Ronghua Wang, Chief Executive Officer and President (Principal Executive Officer)
Date: August 14, 2014	By:	/s/ Qinghua Liu Qinghua Liu, Interim Chief Financial Officer (Principal Financial and Accounting Officer)