神威藥業
SHINEWAY

CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02877)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2008, the operating results of the Group were as follows:

– Turnover amounted to approximately RMB642,359,000, an increase of approximately 39.2% over the corresponding period of last year;

– Gross profit margin increased from 72.4% to 72.7% as compared to the corresponding period of last year;

– Profit attributable to shareholders amounted to approximately RMB268,454,000, an increase of approximately 35.4% over the corresponding period of last year;

– Earnings per share amounted to RMB32 cents;

– Interim dividend amounted to RMB12 cents per share and special dividend amounted to RMB1 cent per share, representing a payout rate of approximately 40.6% of net profit attributable to the equity holders of the Company for the six months ended 30 June 2008.

RESULTS

The board of directors (the "Board") of China Shineway Pharmaceutical Group Limited (the "Company") are pleased to present the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2008 with comparative figures for the six months ended 30 June 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**642,359**	461,451
Cost of sales		**(175,621)**	(127,449)
Gross profit		**466,738**	334,002
Other income		**31,538**	19,951
Investment (loss) gain		**(6,438)**	36,789
Net exchange loss		**(24,855)**	(21,241)
Distribution costs		**(102,295)**	(97,996)
Administrative expenses		**(46,094)**	(36,502)
Profit before taxation	*4*	**318,594**	235,003
Income tax	*5*	**(50,140)**	(36,688)
Profit for the period		**268,454**	198,315
Dividends paid	*6*	**223,290**	99,240
Dividends declared	*6*		
Interim dividend		**99,240**	90,970
Special dividend		**8,270**	–
		107,510	90,970
Earnings per share - basic	*7*	**RMB32 cents**	RMB24 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	NOTES	30.6.2008 RMB'000 (Unaudited)	31.12.2007 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	**285,029**	278,547
Land use rights	9	**19,559**	19,894
Goodwill		**58,479**	58,479
Deferred tax assets		**7,519**	7,329
		370,586	364,249
Current assets			
Inventories		**102,582**	78,352
Bills receivables	10	**328,854**	244,820
Trade receivables	10	**19,466**	8,865
Prepayments, deposits and other receivables		**57,115**	34,009
Bank balances and cash		**1,510,638**	1,678,442
		2,018,655	2,044,488
Current liabilities			
Trade payables	11	**76,270**	89,172
Other payables, receipt in advance and accrued charges		**138,484**	198,095
Amount due to a related company		**9,594**	10,063
Government grants received		**6,380**	6,380
Tax liabilities		**35,690**	35,752
		266,418	339,462
Net current assets		**1,752,237**	1,705,026
Total assets less current liabilities		**2,122,823**	2,069,275
Capital and reserves			
Share capital	12	**87,662**	87,662
Reserves		**2,035,161**	1,981,613
Total equity		**2,122,823**	2,069,275

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. GENERAL

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with International Accounting Standard 34 "Interim Financial Reporting" issued by International Accounting Standards Board.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has adopted, for the first time, the following new interpretations ("new Interpretations") issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board, which are effective for the Group's financial year beginning on 1 January 2008.

The adoption of the new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs [1]
IAS 1 (Revised)	Presentation of financial statements [2]
IAS 23 (Revised)	Borrowing costs [2]
IAS 27 (Revised)	Consolidated and separate financial statements [3]
IAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
IAS 39 (Amendment)	Eligible hedge items [3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a subsidiary, jointly controlled entity or associate [2]
IFRS 2 (Amendment)	Vesting conditions and cancellations [2]
IFRS 3 (Revised)	Business combinations [3]
IFRS 8	Operating segments [2]
IFRIC 13	Customer loyalty programmes [4]
IFRIC 15	Agreements for the construction of real estate [2]
IFRIC 16	Hedges of a net investment in a foreign operation [5]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009.

[2] Effective for annual periods beginning on or after 1 January 2009.

[3] Effective for annual periods beginning on or after 1 July 2009.

[4] Effective for annual periods beginning on or after 1 July 2008.

[5] Effective for annual periods beginning on or after 1 October 2008.

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amount received and receivable from sales of Chinese pharmaceutical products.

The Group's operation is regarded as a single segment, being an enterprise engaged in research and development, manufacture and trading of Chinese pharmaceutical products. Over 90% of the Group's sales are made in the People's Republic of China (the "PRC") and over 90% of the Group's assets are situated in the PRC during the period. Accordingly, no segmental analysis of business and geographical segments is presented for the period.

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of land use rights	**335**	236
Depreciation of property, plant and equipment	**17,649**	17,294
Loss on disposal of property, plant and equipment	**84**	–
Research and development costs	**9,192**	2,432
Government subsidies received (included in other income) *(Note)*	**(14,817)**	(20)
Interest income from bank deposits	**(16,460)**	(20,673)
Interest income from investment deposits	**(1,313)**	(990)
Loss (gain) from held-for-trading investments	**7,818**	(35,218)
Dividends from held-for-trading investments	**(67)**	(581)

Note: It mainly represented the incentives received from PRC Government for investments in relevant regions in PRC by the Group.

5. INCOME TAX

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**41,411**	36,325
Underprovision in prior year	**8,919**	-
Deferred tax	**(190)**	363
	50,140	36,688

The provision for PRC Enterprise Income Tax ("PRC EIT") is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable for the period.

Pursuant to the relevant law and regulations in the PRC, Shineway Pharmaceutical Co., Ltd. ("Shineway Pharmaceutical") and Hebei Shineway Pharmaceutical Co., Ltd. ("Hebei Shineway") are entitled to a 50% relief from PRC EIT for current year. The first profit-making period of Shineway Pharmaceutical and Hebei Shineway commenced on 1 January 2004 and the full exemption from PRC EIT ended on 31 December 2005. Pursuant to 財稅 2008 21號, the PRC EIT rate applicable to Shineway Pharmaceutical Sales Company Limited is 18% on its assessable profit.

Pursuant to the 藏財稅字 (94) 117 號, Xizang Shineway Pharmaceutical Co., Ltd. ("Xizang Shineway") was exempted from the PRC EIT for the period from 21 May 2007 to 31 December 2007. Pursuant to 西藏拉薩經濟技術開發區優惠政策, the PRC EIT rate applicable to Xizang Shineway is 10% on its assessable profit.

6. DIVIDENDS

Dividends paid

Dividends attributable to the previous financial year were approved and paid during the period.

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final - RMB11 cents (2007: RMB10 cents) per share	**90,970**	82,700
Special - RMB16 cents (2007: RMB2 cents) per share	**132,320**	16,540
	223,290	99,240

Dividends declared

The directors declare an interim dividend of RMB12 cents per share and a special dividend of RMB1 cent per share amounting to approximately RMB107,510,000 in respect of the six months ended 30 June 2008 (1.1.2007 to 30.6.2007: RMB11 cents per share amounting to approximately RMB90,970,000), which will be paid to the shareholders whose names appear on the Company's register of members on 17 September 2008. The interim dividend has not been recognised as a liability at the balance sheet date.

Dividends payable in cash in Hong Kong dollars will be converted from Renminbi at the telegraphic transfer exchange rates quoted by bank at 11:00 a.m. on 21 August 2008 (RMB 1 = HK$1.1378). Accordingly, the amount payable on 24 September 2008 will be:

Proposed dividends: Interim – RMB12 cents per share; approximately HK$0.1365 per share
Special – RMB1 cent per share; approximately HK$0.0114 per share

7. EARNINGS PER SHARE

The calculations of basic earnings per share is based on the following data:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to the equity holders of the Company and earnings for the purposes of basic earnings per share	**268,454**	198,315

	Six months ended 30 June	
	2008	2007
Number of ordinary shares for the purposes of basic earnings per share	**827,000,000**	827,000,000

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares for both periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired buildings at a cost of RMB3,043,000 (2007: RMB nil), plant and machinery at a cost of RMB3,543,000 (2007: RMB9,835,000), office equipment at a cost of RMB2,227,000 (2007: RMB3,760,000), motor vehicles at a cost of RMB1,015,000 (2007: RMB nil) and addition to construction in progress of RMB14,959,000 (2007: RMB30,915,000).

9. LAND USE RIGHTS

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of the period/year	**20,569**	5,946
Addition for the period/year	**–**	15,298
Expense for the period/year	**(335)**	(675)
At end of the period/year	**20,234**	20,569
Leasehold land outside Hong Kong		
Current portion (included in other receivables)	**675**	675
Non-current portion	**19,559**	19,894
	20,234	20,569

10. OTHER FINANCIAL ASSETS

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bills receivables and trade receivables:		
Bills receivables	**328,854**	244,820
Trade receivables	**19,466**	8,865
	348,320	253,685

The Group allows credit periods normally ranging from three months to six months to its trade customers. An aged analysis of the Group's trade receivables at the balance sheet date is as follows:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**19,364**	8,865
Over 6 months but less than 1 year	**102**	–
	19,466	8,865

All bills receivables aged within six months at the respective balance sheet date.

11. OTHER FINANCIAL LIABILITIES

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**76,270**	89,172

An aged analysis of the Group's trade payables at the balance sheet date is as follows:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**66,920**	83,744
Over 6 months but less than 1 year	**6,505**	5,258
Over 1 year but less than 2 years	**2,117**	108
Over 2 years	**728**	62
	76,270	89,172

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchase ranges from two months to six months.

12. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*RMB'000*
Ordinary shares of HK$0.10 each		
Authorised:		
Balance at 1 January 2007, 31 December 2007 and 30 June 2008	5,000,000	530,000
Issued and fully paid:		
Balance at 1 January 2007, 31 December 2007 and 30 June 2008	827,000	87,662

There was no changes in the Company's authorised, issued and fully paid share capital during the period.

13. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of goods to Hebei Shineway Chain Drugstores Co., Ltd. ("Shineway Drugstores") *(Note a)*	**59**	36
Rental expenses paid to Shineway Medical Science & Technology Co., Ltd. ("Shineway Medical") *(Note a)*	**235**	235
Service fee to Shineway Medical *(Note a)*	**3,547**	3,478
Service fee to Shineway Medical Science & Technology (Lang Fang) Co., Ltd. ("Shineway Lang Fang") *(Note b)*	**700**	587
Purchase of research centre and land use rights from Shineway Lang Fang *(Note b)*	**–**	23,960

Notes:

(a) Shineway Medical, which is owned by the controlling shareholder of the Company, holds 80% equity interest in Shineway Drugstores.

(b) Shineway Medical owns 70% equity interest in Shineway Lang Fang.

Compensation of key management personnel

The key management personnel are directors of the company. Details of the remuneration paid to them during the period were as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**2,470**	2,574
Post-employment benefits	**5**	6
	2,475	2,580

14. COMMITMENTS

(a) Operating lease commitments

At 30 June 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**1,415**	1,729
In the second to fifth year inclusive	**1,594**	2,351
	3,009	4,080

Operating lease payments represent rentals payable by the Group for certain of its warehouse, staff quarters and offices. Leases are negotiated for terms ranging from one to three years with fixed rental.

(b) Capital commitments

At 30 June 2008, capital expenditure of RMB58,428,000 in respect of acquisition of property, plant and equipment is contracted for but not provided in the condensed consolidated financial statements (2007: RMB8,756,000).

BUSINESS REVIEW

For the six months ended 30 June 2008, the Group recorded an increase in turnover by 39.2%, amounting to approximately RMB642,359,000. An analysis of sales by product format is set out as follows:

	Sales	**Sales mix**	**Growth rate**
Injections	RMB358,940,000	55.9%	37.4%
Soft Capsules	RMB176,884,000	27.5%	34.3%
Granules	RMB95,460,000	14.9%	59.8%
Other formats	RMB11,075,000	1.7%	25.6%

For the six months ended 30 June 2008, the Group's operating profit increased 35.6% over the corresponding period of last year, to approximately RMB318,594,000. Net profit attributable to the equity holders of the Group for the first six months in 2008 amounted to approximately RMB268,454,000, representing an increase of approximately 35.4% over the corresponding period in 2007. The increase in net profit is mainly attributable to the robust growth in sales volume of our products across the board.

Injection Products

For the first six months of 2008, the Group sold approximately RMB358,940,000 of injection products, representing an increase of approximately 37.4% over the same period of last year. Amongst these injection products, Qing Kai Ling Injection, Shen Mai Injection and Shu Xie Ning Injection recorded sales growth of approximately 37.2%, 21.5% and 65.6% respectively. The increase is primarily due to continuous market demand of Chinese medicine injections, and the Group's strategic focus on Chinese medicine injection products.

For the first six months of 2008, injection products accounted for approximately 55.9% of total turnover as compared to 56.6% of total turnover for the same period of last year. The Group continued to maintain strategic focus in the business of injection products and implement strategies to strengthen distribution network and points of sales to increase market coverage and penetration. The newly promulgated "Basic Technological Requirements on Chinese Medicines and Natural Medicine Injections" increases entry barriers of the production of Chinese medicine injections and accelerate consolidation of the industry. The Group's leading position and advantages from our focus on Chinese medicine injections are becoming more distinctive. As quality standards of Chinese medicine injections rise, demand for clinical applications of Chinese medicine injections will continue to soar. Injection products will remain as the product format of the Group with the highest growth potential.

The Group's production capacity of injection products now reaches 2 billion vials per annum. The Group believes that it is presently the largest Chinese medicine injection manufacturer in the PRC in terms of sales volume and production capacity.

Soft Capsule Products

For the first six months in 2008, sales of the Group's soft capsule products amounted to approximately RMB176,884,000, representing an increase of approximately 34.3% over the corresponding period of last year. Wu Fu Xin Nao Qing Soft Capsule, Huo Xiang Zheng Qi Soft Capsule and Qing Kai Ling Soft Capsule recorded increases in sales of approximately 27.1%, 34.7% and 63.4% respectively, as compared to the same period of last year.

During the relevant period, the Group fostered strong growth of Soft Capsule products by boosting their marketing campaigns and stepping up sales promotion activities and initiatives.

Soft Capsule products accounted for approximately 27.5% of the Group's turnover for the first six months in 2008 as compared to 28.5% in the same period of last year. The Group's production capacity of Soft Capsule products now reaches 3.5 billion capsules per annum. The Group believes that it is the largest Chinese medicine soft capsule manufacturer in the PRC in terms of sales volume and production capacity.

Granule Products

For the first six months in 2008, sales of granules products increased by approximately 59.8% as compared to the corresponding period of last year, amounting to approximately RMB95,460,000. The increase can be attributable to the implementation of the Group's strategy to strengthen marketing campaign on popular granules to cultivate their strong growth.

Granule products accounted for approximately 14.9% of the Group's turnover for the first six months in 2008 as compared to 13.0% in the same period of 2007. The Group's production capacity of granule products now reaches 1.5 billion bags per annum. The Group believes that it is the largest Chinese medicine granule products manufacturer in the PRC in terms of sales volume and production capacity.

PROSPECT

The pharmaceutical industry is bonded to the health of Chinese people. With the continuous proliferation of people's living standards and health consciousness, consumption of pharmaceutical products in China will continue to rise. As the country is progressing on the development of new rural cooperative and community health insurance coverage, market potential of rural areas and community health care is emerging and market size for pharmaceutical products is swiftly expanding.

Medical reform is likely to further benefit business environment of the pharmaceutical market. The Chinese government has continuously strengthened its monitoring and regulatory control on pharmaceutical companies. New policies on drug registration, and electronic surveillance of blood, vaccines, bio-medical and injection products symbolize the determination of the government to apply stringent measures to ensure strict compliance of drug regulations. The pharmaceutical industry is evolving toward a market of conformity. Under pledge of quality and safety assurance, regulatory authorities deploy officials to conduct on site inspections and scrutiny of medicine samples. These initiatives provide an optimal business environment for companies that have always complied with laws and regulations and further enhance the development of a healthy pharmaceutical industry. The amended GMP certification standards and “Anti-Water Pollution Standards for Pharmaceutical Industry” are now in effect. These two standards will further trigger the need to upgrade the technologies and capabilities of pharmaceutical companies, thereby benefiting larger companies which have resources and competitive advantages.

As the country relentlessly increases its spending into building health care facilities and health insurance coverage, demand for modern Chinese medicines will continue to surge. The Chinese government is devoted on promoting the development of Chinese medicines. By introducing policies and elevating investments of resources, the Chinese government is determined to accelerate the modernization of Chinese medicines, thereby promoting innovation and fostering the business of Chinese medicines. As a leading modern Chinese medicine enterprise, the Group will continuously develop and provide modern Chinese medicine injections, soft capsules and granules products with good efficacy, superb quality and affordable pricing for people in China.

The Group will continue to strengthen our capabilities in research and investments in advanced technologies to develop innovative products with superb quality. In addition, the Group is determined to leverage our leading position in modern Chinese medicines to further enhance our brand equities by strengthening advertising and market promotion effort. The Group will further rationalize our partnership with strategic distributors and chain pharmacies to expand our market coverage and deepen market penetration to foster our business and operating results.

DIVIDEND

The Board resolved to pay an interim dividend of RMB12 cents per share and a special dividend of RMB1 cent per share for the six months ended 30 June 2008 to the shareholders on the register of members of the Company on 24 September 2008, representing a payout rate of approximately 40.6% of net profit attributable to the equity holders for the period.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the six months ended 30 June 2008, the Company or its subsidiaries did not purchase, sell or redeem any shares of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied and complied with the Code Provisions in the Code on Corporate Governance Practices ("the Code") set out in Appendix 14 of the Listing Rules during the period ended 30 June 2008, except for the following deviations:

1. Chairman and chief executive officer

The Code provision A.2.1 stipulated that the roles of chairman of the board (the "Chairman") and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between Chairman and chief executive officer should be clearly established and set out in writing. The Company does not use the title "Chief Executive Officer". The duty of Chief Executive Officer has been assumed by the President of the Company.

Mr. Li Zhenjiang has been both the Chairman and President of the Company. His responsibilities are clearly set out in writing and approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and President in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board will nevertheless review the structure from time to time.

2. Effective communication

The Code provision E.1.2 stipulates that the Chairman should attend the annual general meeting ("AGM") of the Company. The Chairman did not attend the 2007 AGM due to other business engagement. An executive director had chaired the 2007 AGM and answered questions from shareholders. The chairman of the Audit and Remuneration Committee was also available to answer questions at the 2007 AGM.

COMPLIANCE WITH THE MODEL CODE

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules ("the Model Code") as the code of conduct for directors in their dealing in the Company's securities. The Company made specific enquiries with each director and each of them confirmed that he or she had complied with the Model Code during the period ended 30 June 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and external auditors the accounting principles and policies adopted by the Group and the interim report for the six months ended 30 June 2008.

CLOSURE OF SHARE TRANSFER REGISTRATION

The register of members of the Company will be closed from 17 September 2008 to 19 September 2008 (both days inclusive). In order to qualify for the 2008 interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 16 September 2008.

INTERIM REPORT

The interim report of 2008 will be despatched to the shareholders at the appropriate time, it will also be available on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.shineway.com.hk) in due course.

We are delighted by the trust and support of our shareholders and those who care about the Company. On behalf of the Board, we would like to take this opportunity to thank all of you, as well as our employees who made tremendous efforts to achieve the growth in our results during the period.

By order of the Board
China Shineway Pharmaceutical Group Limited
Li Zhenjiang
Chairman

Hong Kong, 21 August 2008

As at the date of this announcement, the Board comprises Mr. Li Zhenjiang (Chairman), Ms. Wang Zhihua, Ms. Xin Yunxia, Mr. Li Huimin and Mr. Hung Randy King Kuen as executive directors, Mr. Ren Dequan, Ms. Cheng Li and Mr. Ma Kwai Yuen, Terence as independent non-executive directors.