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 2009

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2009, the operating results of the Group were as follows:

– Turnover reached RMB707,817,000, an increase of 10.2% from the corresponding period of last year;

– Gross profit margin was 70.5% as compared to 72.7% of the corresponding period of last year;

– Profit for the period amounted to RMB401,293,000, an increase of 49.5% over the corresponding period of last year;

– Earnings per share amounted to RMB49 cents;

– Declared interim dividend of RMB10 cents per share.

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 2009 with comparative figures for the six months ended 30 June 2008 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		RMB'000	*RMB'000*
	NOTES	**(Unaudited)**	(Unaudited)
Turnover	*3*	**707,817**	642,359
Cost of sales		**(208,723)**	(175,621)
Gross profit		**499,094**	466,738
Other income		**46,316**	31,538
Investment gain (loss)		**86**	(6,438)
Net exchange gain (loss)		**68,728**	(24,855)
Distribution costs		**(95,730)**	(102,295)
Administrative expenses		**(50,138)**	(46,094)
Profit before taxation	*4*	**468,356**	318,594
Income tax	*5*	**(67,063)**	(50,140)
Profit for the period		**401,293**	268,454
Exchange differences on translation of foreign subsidiaries		**–**	8,384
Total comprehensive income for the period		**401,293**	276,838
Earnings per share – basic	*7*	**RMB49 cents**	RMB32 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	NOTES	**30.6.2009** ***RMB'000*** **(Unaudited)**	31.12.2008 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*8*	**366,186**	326,323
Land use rights	*9*	**62,662**	19,219
Goodwill		**58,479**	58,479
Deferred tax assets		**6,456**	8,664
		493,783	412,685
Current assets			
Inventories		**90,290**	76,324
Bills receivables	*10*	**60,868**	297,954
Trade receivables	*10*	**9,854**	10,714
Prepayments, deposits and other receivables		**31,032**	43,136
Bank balances and cash		**2,070,550**	1,585,644
		2,262,594	2,013,772
Current liabilities			
Trade payables	*11*	**98,439**	64,137
Other payables and accrued expenses		**180,101**	197,460
Amounts due to related companies		**9,319**	9,628
Government grants received		**–**	6,980
Tax liabilities		**29,748**	11,535
		317,607	289,740
Net current assets		**1,944,987**	1,724,032
Total assets less current liabilities		**2,438,770**	2,136,717
Capital and reserves			
Share capital	*12*	**87,662**	87,662
Reserves		**2,351,108**	2,049,055
Total equity		**2,438,770**	2,136,717

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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 2008.

In the current interim period, the Group has adopted, for the first time, a number of new or revised standards, amendments and interpretations ("new or revised IFRSs") issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee of IASB, which are effective for the Group's financial year beginning on 1 January 2009.

IAS 1 (revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. IFRS 8 is a disclosure standard. It has not resulted in a redesignation of the Group's reportable segments (see note 3), nor has any impact on the reported results of financial position of the Group. The adoption of the new and revised IFRSs 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)	Amendments to IFRS 5 as part of Improvements to IFRSs May 2008 [1]
IFRSs (Amendments)	Improvements to IFRSs April 2009 [2]
IAS 27 (Revised)	Consolidated and separate financial statements [1]
IAS 39 (Amendment)	Eligible hedge items [1]
IFRS 1 (Amendment)	Additional exemptions for first-time adopters [3]
IFRS 2 (Amendment)	Group cash-settled share-based payment transactions [3]
IFRS 3 (Revised)	Business combinations [1]
IFRIC 17	Distributions of non-cash assets to owners [1]
IFRIC 18	Transfers of assets from customers [4]

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

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2010.

4 Effective for transfers on or after 1 July 2009.

3. TURNOVER AND SEGMENT INFORMATION

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

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (IAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, there is no segmental analysis of business and geographical segments, because the Group's operation was regarded as a single segment, being an enterprise engaged in research and development, manufacture and trading of Chinese pharmaceutical products. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments because the CODM, chairman of the Board, reviews the demand of pharmaceutical market and the operating results of the Group as a whole for performance assessment and resource allocation. Therefore, the operation of the Group constitutes one single reportable segment.

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of land use rights	**381**	335
Depreciation of property, plant and equipment	**21,667**	17,649
Loss on disposal of property, plant and equipment	**435**	84
Research and development costs	**9,176**	9,192
Government subsidies received (included in other income) *(Note)*	**(23,802)**	(14,817)
Interest income from bank deposits	**(20,183)**	(17,773)
Loss on disposal of held-for-trading investments	**–**	7,818
Dividends from held-for-trading investments	**–**	(67)

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	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**61,198**	41,411
Underprovision in prior year	**3,657**	8,919
Deferred tax	**2,208**	(190)
	67,063	50,140

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 國稅函(2009)203號, the PRC EIT rate applicable to Shineway Pharmaceutical Co., Ltd. ("Shineway Pharmaceutical") and Hebei Shineway Pharmaceutical Co., Ltd. ("Hebei Shineway") is 15% on their assessable profits for the year.

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 Pharmaceutical Co., Limited is 10%, 12% and 15% on its assessable profit for the year ended 31 December 2008 and the years ending 31 December 2009 and 2010 respectively.

6. DIVIDENDS

Dividends paid

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

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final – RMB12 cents (2008: RMB11 cents) per share	**99,240**	90,970
Special – nil (2008: RMB16 cents) per share	**–**	132,320
	99,240	223,290

Dividend declared

The directors of the Company (the "Directors") declare an interim dividend of RMB10 cents per share amounting to approximately RMB82,700,000 in respect of the six months ended 30 June 2009 (1.1.2008 to 30.6.2008: RMB12 cents per share and a special dividend of RMB1 cent per share, amounting to approximately RMB107,510,000), which will be paid on 19 October 2009, to the shareholders whose names appear on the Company's register of members on 14 October 2009. The 2009 interim dividend has not been recognised as a liability as at 30 June 2009.

Dividend 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 14 September 2009 (RMB1 = HK$1.1319). Accordingly, the amount payable on 19 October 2009 will be approximately HK$0.1132 per share.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company and earnings for the purposes of basic earnings per share	**401,293**	268,454

	Six months ended 30 June	
	2009	2008
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 RMB213,000 (2008: RMB3,043,000), plant and machinery at a cost of RMB7,287,000 (2008: RMB3,543,000), office equipment at a cost of RMB1,186,000 (2008: RMB2,227,000), motor vehicles at a cost of RMB1,035,000 (2008: RMB1,015,000) and addition to construction in progress of RMB52,249,000 (2008: RMB14,959,000).

9. LAND USE RIGHTS

	30.6.2009	31.12.2008
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of the period/year	**19,894**	20,569
Addition for the period/year	**44,718**	–
Release to statement of comprehensive income for the period/year	**(381)**	(675)
At end of the period/year	**64,231**	19,894
Leasehold land outside Hong Kong		
Current portion (included in other receivables)	**1,569**	675
Non-current portion	**62,662**	19,219
	64,231	19,894

10. OTHER FINANCIAL ASSETS

	30.6.2009	31.12.2008
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bills receivables and trade receivables:		
Bills receivables	**60,868**	297,954
Trade receivables	**9,854**	10,714
	70,722	308,668

The Group allows credit periods normally ranging from six months to one year to its trade customers. An aged analysis of the Group's bills receivables and trade receivables at 30 June 2009 is as follows:

	30.6.2009	31.12.2008
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**70,722**	308,668

11. OTHER FINANCIAL LIABILITIES

	30.6.2009	31.12.2008
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**98,439**	64,137

An aged analysis of the Group's trade payables at 30 June 2009 is as follows:

	30.6.2009	31.12.2008
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**80,922**	57,079
Over 6 months but less than 1 year	**13,603**	3,625
Over 1 year but less than 2 years	**3,013**	3,263
Over 2 years	**901**	170
	98,439	64,137

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 2008, 31 December 2008 and 30 June 2009	5,000,000	530,000
Issued and fully paid:		
Balance at 1 January 2008, 31 December 2008 and 30 June 2009	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	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of goods to Hebei Shineway Chain Drugstores Co., Ltd. ("Shineway Drugstores") *(Note a)*	**126**	59
Rental expenses paid to Shineway Medical Science & Technology Co., Ltd. ("Shineway Medical") *(Note a)*	**310**	235
Service fee to Shineway Medical *(Note a)*	**3,618**	3,547
Service fee to Shineway Medical Science & Technology (Lang Fang) Co., Ltd. ("Shineway Lang Fang") *(Note b)*	**750**	700

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 the Directors. Details of the remuneration paid to them during the period were as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**2,248**	2,470
Post-employment benefits	**5**	5
	2,253	2,475

14. COMMITMENTS

(a) Operating lease commitments

At 30 June 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30.6.2009	31.12.2008
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**3,475**	2,121
In the second to fifth year inclusive	**109**	1,002
	3,584	3,123

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 2009, capital expenditure of RMB85,020,000 in respect of acquisition of property, plant and equipment is contracted for but not provided in the condensed consolidated financial statements (31.12.2008: RMB69,572,000).

BUSINESS REVIEW

For the six months ended 30 June 2009, the Group's turnover increased by 10.2%, amounting to RMB707,817,000. Sales by product format are set out as follows:

	Sales	Sales mix	Growth rate
Injections	RMB376,917,000	53.3%	5.0%
Soft Capsules	RMB194,091,000	27.4%	9.7%
Granules	RMB120,465,000	17.0%	26.2%
Other formats	RMB16,344,000	2.3%	47.6%

Profit for the six months ended 30 June 2009 rose to RMB401,293,000, representing an increase of 49.5% as compared to the corresponding period of last year. The increase in profit for the period is primarily attributable to the growth in sales volume of our products and the increase of operating profit. Also, bank deposits in Australian Dollars had generated net exchange gain during the period.

Rapid growth of China pharmaceutical market and the spreading of influenza A virus subtype H1-N1 ("A(H1-N1) Flu") had led to strong orders of our products. Supply of a number of our products was unable to meet sales demand during the period. The Group was in the process of expanding capacity of our extraction workshop to satisfy the growing needs. The capacity expansion work was completed near the end of this June, and extraction capacity per annum now reaches 10,000 tonnes. The new capacity is currently deployed in full to our production.

Injection Products

For the first six months of 2009, sales of injection products of our Group was RMB376,917,000, representing an increase of 5.0% from the same period of last year. Among these injection products, Qing Kai Ling Injection and Shu Xie Ning Injection recorded sales growth of 3.6% and 38.1% while sales of Shen Mai Injection decreased by 3.2%. For the first six months of 2009, injection products accounted for 53.3% of total turnover as compared to 55.9% of total turnover for the same period of last year.

Near the end of 2008, several Chinese medicine injection products made by other manufacturers were reported to cause adverse drug reaction during clinical application, thereby affecting sales momentum of the overall injection products market. Riding on our products' superb quality, more sales orders were received from customers despite the incident. On the other hand, supply of our injection products was unable to meet the demand from customers as a result of bottleneck in our extraction capacity. Expansion on capacity of our extraction workshop is now completed and the new capacity is currently deployed in full for production.

To raise standards of production and quality control of Chinese medicine injections, the State Food and Drug Administration ("the SFDA") introduced a series of regulations, including the "Principles on Re-Evaluating Chinese Medicine Injections Safety – quality control" and "Guideline on Re-Evaluating Chinese Medicine Injections Safety – Basic Requirements on Technologies", marking its official commencement to re-evaluate Chinese medicine injections in full scale. This serves to pave the direction on the development and support of Chinese medicine injections. The Group believes that re-evaluation of Chinese medicine injections will lead to the raising of the bars on production technological knowhow and quality standards. Those who are unable to comply with the re-evaluation principles and guidelines would be directed to discontinue and entry barriers of Chinese medicine injections will then be raised. The Group's advantages in Chinese medicine injections will become more significant.

In August 2009, state authorities of the PRC announced the commencement of essential drug system. The Ministry of Health released "Essential Drug List (Grass-root Health Care Facilities Use of Supplies) – Year 2009 Version" (the "Essential Drug List"). Seven Chinese medicine injections are included in the Essential Drug List, including Qing Kai Ling Injection, Shen Mai Injection, Dan Zhan Injection and Chai Wu Injection of the Group. Inclusion of Chinese medicine injections in the Essential Drug List symbolizes the government's recognition and support on Chinese medicine injections. It is anticipated that clinical use of Chinese medicine injections will grow more rapidly with the implementation of the Essential Drug List.

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. The Group will continue to maintain strategic focus in the business of injection products in anticipation of vast market demand of Chinese medicine injections.

Soft Capsule Products

For the first six months in 2009, sales of the Group's soft capsule products amounted to RMB194,091,000, representing an increase of 9.7% 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 16.7%, 8.4% and 6.7% respectively, as compared to the same period of last year.

Soft capsule products accounted for 27.4% of the Group's turnover for the first six months in 2009 as compared to 27.5% 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 2009, sales of granule products increased by 26.2% as compared to the corresponding period of last year, amounting to RMB120,465,000. The increase is mainly due to the strong sales growth of Pediatric Qing Fei Hua Tan Granule.

Granule products accounted for 17.0% of the Group's turnover for the first six months in 2009 as compared to 14.9% in the same period of 2008. The Group's production capacity of granule products now reaches 1.5 billion bags per annum. To cope with the growing market demand of our granule products, the Group is now building a new production workshop which will increase production capacity of granule products to 5.5 billion bags per annum. The expansion work is expected to be completed in 2010. The Group believes that it is the largest Chinese medicine granule products manufacturer in the PRC in terms of sales volume and production capacity.

OUTLOOK

In April 2009, the state authorities of the PRC announced the "Opinion of In-Depth Reform on Healthcare Structure" and its supplementary document "2009-2011 Implementation Plan of In-Depth Reform on Healthcare Structure" which officially marked the commencement of the reform on basic heath care system with universal coverage to provide full scale health care services to the people of China. This symbolizes a new starting point of the pharmaceutical industry, leading to a surge of medicine market. It is expected that the growth of pharmaceutical industry will be expedited.

In May 2009, the state authorities of the PRC published the "Opinion on Supporting and Promoting the Development of Chinese Medicines" to reiterate its stand and firm support on the Chinese medicine industry. The Group believes that the state authorities had explicitly voiced its position on stronger support on clinical application of Chinese medicines and stronger backing on the Chinese medicine industry with preferential policies and regulations.

In August 2009, the Ministry of Health introduced the Essential Drug List to be effective on 21 September 2009. With reference to the "2009-2011 Implementation Plan of In-Depth Reform on Healthcare Structure", medicines in the Essential Drug List will all be included in the pending new National Insurance Catalog. Their insurance claims will be set at a higher amount than those medicines not included in the Essential Drug List. The Group believes that the market for medicines included in the Essential Drug List will inevitably expand. Upon full implementation of the Essential Drug List, it is expected that the medicine consumption will increase significantly.

There are a total of 307 medicines in the Essential Drug List. Among them are 30 medicines of the Group, including our core products Qing Kai Ling Injection and Shen Mai Injection. Leveraged on our superb brand name and advantage in product quality, the Group is aggressively preparing for this market change as health care reform is being implemented. The Group would be able to sell our products to hospitals, community clinics and rural areas in an unprecedented scale.

To cope with the health care reform and the opportunity from the country's continuous investments in medical care, the Group has commenced the construction of a Shineway Modern Chinese Medicine Park. The goal is to build one of the most technological advanced and largest in scale production headquarters of Chinese medicine. Currently, a number of production workshops and facilities are being built. After completion of Phase I of the Shineway Modern Chinese Medicine Industrial Park, production capabilities will be tremendously expanded. Our advantages and leading positions in modern Chinese medicine injections, soft capsules and granules will further excel.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, bank deposits of the Group amounted to approximately RMB2,070,550,000 (31 December 2008: RMB1,585,644,000), of which RMB1,270,207,000 (31 December 2008: RMB754,557,000) were denominated in Renminbi, others being equivalent to RMB529,579,000, RMB269,333,000 and RMB1,431,000 (31 December 2008: RMB449,980,000, RMB379,414,000 and RMB1,693,000) were denominated in Australian Dollars, Hong Kong Dollars and United States Dollars respectively. Except for trade and other payables, the Group did not have any other liabilities.

For the six months ended 30 June 2009, the Group recorded an exchanges gain of RMB77,662,000 resulted from change of exchange rate between Hong Kong Dollars and Australian Dollars in the Group's bank deposits and an exchanges loss of RMB8,934,000 from change of exchange rate between Hong Kong Dollars and Renminbi.

During the first six months in 2009, the Group did not enter into any derivative instrument investments.

The Group did not have any loans or bank borrowings as at 30 June 2009 (2008: Nil). Accordingly the gearing ratio based on interest bearing debt for the first six months in 2009 is Nil (2008: Nil).

The Directors believe that the financial position of the Group is healthy, with sufficient financial resources to meet the requirement for future development.

DIVIDEND

The Board resolved to pay an interim dividend of RMB10 cents per share for the six months ended 30 June 2009 to the shareholders whose names appear on the register of member of the Company on 14 October 2009 (for which such interim dividend will be paid on 19 October 2009).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2009, 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 to the Listing Rules during the period ended 30 June 2009, except for the following deviations:

Chairman and chief executive officer

The Code provision A.2.1 stipulates 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 the Chief Executive Officer has been assumed by the President of the Company (the "President").

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.

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 2009.

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 2009.

CLOSURE OF SHARE TRANSFER REGISTRATION

The register of members of the Company will be closed from 12 October 2009 to 14 October 2009 (both days inclusive). In order to qualify for the 2009 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 9 October 2009.

INTERIM REPORT

The interim report of 2009 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, 14 September 2009

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.