神威藥業
SHINEWAY

CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED
中國神威藥業集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 02877)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2012, the operating results of the Group were as follows:

– Turnover reached RMB1,002,265,000, a decrease of 4.4% from the corresponding period of last year;

– Gross profit margin was 65.1% as compared to 66.6% of the corresponding period of last year;

– Profit for the period amounted to RMB354,972,000, a decrease of 19.1% over the corresponding period of last year;

– Earnings per share amounted to RMB43 cents;

– Declared interim dividend of RMB11 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 2012 with comparative figures for the six months ended 30 June 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		RMB'000	*RMB'000*
	NOTES	**(Unaudited)**	(Unaudited)
Turnover	*3*	**1,002,265**	1,048,266
Cost of sales		**(349,650)**	(350,171)
Gross profit		**652,615**	698,095
Other income		**41,783**	65,261
Investment income		**45,780**	28,164
Net exchange loss		**(2,771)**	(1,740)
Selling and distribution costs		**(195,346)**	(124,644)
Administrative expenses		**(102,646)**	(84,347)
Research and development costs		**(20,242)**	(13,677)
Profit before taxation		**419,173**	567,112
Taxation	*4*	**(64,201)**	(128,585)
Profit and total comprehensive income for the period	*5*	**354,972**	438,527
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**354,986**	438,527
Non-controlling interests		**(14)**	–
		354,972	438,527
Earnings per share – basic	*7*	**RMB43 cents**	RMB53 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	NOTES	**30.6.2012**	31.12.2011
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	*8*	**1,272,799**	1,108,304
Prepaid lease payments	*9*	**149,830**	150,449
Intangible assets		**1,063**	1,430
Goodwill		**91,663**	91,663
Deferred tax assets		**25,326**	25,825
		1,540,681	1,377,671
Current assets			
Inventories		**224,502**	282,772
Trade receivables	*10*	**26,006**	13,397
Bills receivables	*10*	**389,155**	404,320
Prepayments, deposits and other receivables		**95,717**	98,163
Tax recoverable		**5,324**	–
Pledged bank deposits		**16,292**	27,839
Bank balances and cash		**2,132,410**	2,172,812
		2,889,406	2,999,303
Current liabilities			
Trade payables	*11*	**230,069**	261,950
Bills payables	*11*	**14,799**	27,839
Other payables and accrued expenses		**261,610**	303,491
Amount due to a related company		**9,009**	9,009
Deferred income		**3,100**	3,100
Tax liabilities		**40,884**	40,890
		559,471	646,279
Net current assets		**2,329,935**	2,353,024
Total assets less current liabilities		**3,870,616**	3,730,695
Non-current liabilities			
Deferred tax liabilities		**1,045**	1,076
Deferred income		**74,666**	74,666
		75,711	75,742
		3,794,905	3,654,953
Capital and reserves			
Share capital	*12*	**87,662**	87,662
Reserves		**3,706,681**	3,566,715
Equity attributable to owners of the Company		**3,794,343**	3,654,377
Non-controlling interests		**562**	576
		3,794,905	3,654,953

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 ("IASB").

The Group's condensed consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, a number of amendments to the International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period. The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

Amendments to IFRSs	Annual improvements to IFRSs 2009 – 2011 cycle[1]
Amendments to IFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures[2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
IFRS 9	Financial instruments[2]
IFRS 10	Consolidated financial statements[1]
IFRS 11	Joint arrangements[1]
IFRS 12	Disclosure of interests in other entities[1]
IFRS 13	Fair value measurement[1]
Amendments to IAS 1	Presentation of items of other comprehensive income[3]
IAS 19 (as revised in 2011)	Employee benefits[1]
IAS 27 (as revised in 2011)	Separate financial statements[1]
IAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to IAS 32	Offsetting financial assets and financial liabilities[4]
IFRIC 20	Stripping costs in the production phase of a surface mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2015.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2014.

The directors of the Company anticipate that the application of these new and revised standards, amendments and interpretation will have no material impact on the results and 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 was regarded as a single segment, being an enterprise engaged in research and development, manufacture and trading of Chinese pharmaceutical products. The Chairman of the Board of Directors of the Group, being the chief operating decision maker, reviews the revenue and the profit for the period of the Group as a whole for performance assessment and resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the chief operating decision maker. Therefore, the operation of the Group constitutes one single reportable segment.

4. TAXATION

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**66,811**	109,221
(Over)underprovision in prior year	**(10,578)**	13,892
Withholding tax on distributed profits	**7,500**	7,500
Deferred tax	**468**	(2,028)
	64,201	128,585

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Certain subsidiaries which are operating in the Western China or recognised as High and New-tech Enterprise have been granted tax concessions by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both periods. The tax concessions granted to certain subsidiaries operating in the Western China will expire in 2020. In addition, a subsidiary which is intended to operate in agricultural products business has been granted tax exemption by the local tax bureau.

Included in the current tax amount for the period ended 30 June 2011 is an amount of RMB18,667,000 in relation to a government grant received in 2010 which was recognised as deferred income as at 31 December 2010. During the period ended 30 June 2011, the tax authority imposed tax on the government grant. A corresponding deferred tax asset has been recognised in 2011 which will be reversed to profit or loss when the deferred income is recognised in the profit or loss.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	**367**	367
Amortisation of prepaid lease payments	**1,812**	1,703
Depreciation of property, plant and equipment	**33,646**	31,654
Government subsidies (included in other income) *(Note a)*	**(41,428)**	(65,045)
Interest income from bank deposits	**(10,047)**	(15,888)
Investment income from debt related products *(Note b)*	**(6,070)**	–
Investment income from short-term debt related products *(Note c)*	**(29,663)**	(12,276)
Loss on disposal of property, plant and equipment	**22**	18

Notes:

(a) The government subsidies represent the amounts received from the local government by the subsidiaries of the Company. In the current period, government subsidies of (a) RMB36,867,000 (2011: RMB65,045,000) represent incentive received in relation to carrying out business operations in relevant regions in the PRC; and (b) RMB4,561,000 (2011: nil) represent recognition of deferred income upon completion of related research activities.

(b) These debt related products were entered and matured during the period ended 30 June 2012 with effective interest rate ranged from 5.5% to 5.6% (2011: nil) per annum.

(c) These short-term debt related products carried effective interest rate ranged from 4.7% to 6.1% (2011: 3.0% to 5.9%) per annum. In the opinion of the directors of the Company, these short-term debt related products are in large amounts, with quick turnover and short maturities. Accordingly, the cash receipts and payments for these short-term debt related products are presented on a net basis in the condensed consolidated statement of cash flows.

6. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends		
– 2011 final dividend of RMB12 cents (2010: RMB12 cents) per share paid	**99,240**	99,240
– 2011 special dividend of RMB14 cents (2010: RMB17 cents) per share paid	**115,780**	140,590
	215,020	239,830
– 2012 interim dividend of RMB11 cents (2011: RMB11 cents) per share	**90,970**	90,970

The interim dividend of RMB11 cents per share which was proposed by the directors of the Company for the period has been calculated on the basis of 827,000,000 shares in issue as at 31 August 2012, and will be paid on 31 October 2012, to the shareholders of the Company whose names appear on the Company's register of member on 18 October 2012.

7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	**354,986**	438,527

	Six months ended 30 June	
	2012	2011
Number of ordinary shares for the purpose 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 RMB1,171,000 (2011: nil), plant and machinery of RMB12,456,000 (2011: RMB9,097,000), office equipment of RMB2,610,000 (2011: RMB1,773,000), motor vehicles of RMB44,000 (2011: nil) and made additions to construction in progress of RMB181,882,000 (2011: RMB188,126,000).

9. PREPAID LEASE PAYMENTS

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of the period/year	**153,901**	157,509
Additions during the period/year	**1,210**	–
Expense for the period/year	**(1,812)**	(3,608)
At end of the period/year	**153,299**	153,901
Medium-term leasehold land in PRC		
Current portion (included in other receivables)	**3,469**	3,452
Non-current portion	**149,830**	150,449
	153,299	153,901

10. TRADE AND BILLS RECEIVABLES

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**26,006**	13,397
Bills receivables	**389,155**	404,320
	415,161	417,717

The Group allows credit periods normally ranging from six months to one year to its trade customers. An aged analysis of the trade and bills receivables based on the invoice date is as follows:

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 – 180 days	**415,161**	417,717

11. TRADE AND BILLS PAYABLES

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**230,069**	261,950
Bills payables	**14,799**	27,839
	244,868	289,789

An aged analysis of the Group's trade and bills payables at 30 June 2012 is as follows:

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**192,920**	235,147
Over 6 months but less than 1 year	**20,293**	20,077
Over 1 year but less than 2 years	**20,690**	17,560
Over 2 years	**10,965**	17,005
	244,868	289,789

Trade and bills payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases range 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 2011, 31 December 2011 and 30 June 2012	5,000,000	530,000
Issued and fully paid:		
Balance at 1 January 2011, 31 December 2011 and 30 June 2012	827,000	87,662

There were 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	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of goods to Hebei Shineway Chain Drugstores Co., Ltd. ("Shineway Drugstores") *(Note)*	**–**	891
Rental expenses paid to Shineway Medical Science & Technology Co., Ltd. ("Shineway Medical") *(Note)*	**310**	310
Service fee to Shineway Medical *(Note)*	**3,401**	3,335
Service fee to Shineway Medical Science & Technology (Lang Fang) Co., Ltd. ("Shineway Lang Fang") *(Note)*	**874**	857

Note: Shineway Drugstores, Shineway Medical and Shineway Lang Fang are all ultimately controlled by the controlling shareholder of the Company.

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	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**2,005**	1,843
Post-employment benefits	**8**	–
	2,013	1,843

14. COMMITMENTS

(a) Operating lease commitments

At 30 June 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**1,620**	1,493
In the second to fifth year inclusive	**463**	1,044
	2,083	2,537

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 2012, capital expenditure of RMB592,801,000 (31.12.2011: RMB554,989,000) in respect of acquisition of property, plant and equipment is contracted for but not provided in the condensed consolidated financial statements.

BUSINESS REVIEW

For the six months ended 30 June 2012, the Group recorded a turnover of RMB1,002,265,000, a decrease of 4.4%. Sales by product form for the period are set out as follows:

	Sales	Product mix	Growth rate
Injections	RMB548,447,000	54.7%	-7.3%
Soft Capsules	RMB224,157,000	22.4%	-5.9%
Granules	RMB181,753,000	18.1%	-1.1%
Other product formats	RMB47,908,000	4.8%	38.8%

The Group's profit attributable to owners of the Company for the period ended 30 June 2012 is RMB354,986,000 representing a decrease of 19.1% as compared to the corresponding period of last year. The declines in profit and turnover are mainly caused by price adjustments of certain products and increase in price of raw materials.

Injection Products

For the first six months of 2012, the Group sold RMB548,447,000 of injection products, representing a drop of 7.3% from the same period of last year. For the first six months of 2012, injection products accounted for 54.7% of the Group's total turnover as compared to 56.5% for the same period of last year. In the first half of 2012, injection products only recorded a slide. This was mainly attributable to the decline in sales of Qing Kai Ling Injection.

Soft Capsule Products

For the first six months of 2012, the Group recorded RMB224,157,000 on sales of soft capsule products, representing a decline of 5.9% from the same period of last year. This was mainly due to the sales of Huo Xiang Zheng Qi Soft Capsule and Wu Fu Xin Nao Qing Soft Capsule recorded decrease as compared to the same period of last year.

Soft capsule products accounted for 22.4% of the Group's turnover for the first six months of 2012, as compared to 22.7% for the same period of last year. As a majority of our soft capsule products has attained their market shares, a smooth growth in soft capsule sales is expected in the future. The Group's production capacity for soft capsule products is presently at 3.5 billion capsules per annum. The Group believes that it is currently the largest Chinese medicine soft capsule manufacturer in the PRC in terms of sales volume and production capacity.

Granule Products

Sales of granule products in the first six months of 2012 had slightly decreased by 1.1% as compared to the same period of last year, amounting RMB181,753,000. This was mainly resulted from the sales decline of pediatric granule series.

Granule products accounted for 18.1% of the Group's turnover for the first six months of 2012 as compared to 17.5% of the same period of 2011. Following the completion and operation of our new granule production workshop, the Group's production capacity of granule products now reaches 3.4 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.

Other Products

Sales of other products in the first six months of 2012 had increased by 38.8% as compared to the same period of last year, amounted to RMB47,908,000. The increase was mainly attributable to the rise in sales of Fufang Gancao Pian and pediatric oral syrup series as compared to the same period last year.

PROSPECT

2012 is a critical year of refinement of medical reform in the PRC. Many policies related to drugs and medicine including the 2012 version of Essential Drug List, policy regarding medicine bid, the reform of public hospitals and pricing policy of drugs, are anticipated to launch and are closely attended by the market. The first stage of the two-envelope and centralized bidding system of essential drugs at provincial level, was implemented and essentially completed in various provinces, resulting in a lower chance or lower price of successful bid for large-sized enterprises of general medicine (普藥), which directly affected the sales income and profit of medicine enterprises. It should be noted that compared the Shanghai Model (上海模式) with the Anhui Model (安徽模式), it complements the inadequacy of Anhui Model by means of enhancing quality, which echoes with that of the latest Guangdong essential drugs bidding system. The introduction of these policies will turn around the situation of extremely low price of certain essential drugs and wicked competitions in pricing, the drugs' price are in hope to be adjusted to its reasonable level, thus benefiting large-sized enterprises of general medicine.

Under the synergy of economic growth, new medical reform, population ageing, urbanization, the emerging demands from grassroots and advanced consumption, the PRC medicine industry has stepped into its "Golden Ten Years" featuring rapid development. According to the projection of the Southern Branch of State Food and Drug Administration (國家藥監局南方所), the Compound Annual Growth Rate of the aggregate output value of the PRC medicine industry is expected to reach 22% and that of the PRC medicine market will also hover at approximately 20% in the next decade. The PRC is expected to be the second largest medicine market in the world following the United States by 2020.

The PRC has launched a bundle of policies in relation to the medicine industry in recent two years and more policies are expected to be rolled out along with the advancement of medical reform and the introduction of the Twelfth Five-Year Plan. Policy will be the core factor determining the growth of medicine industry in the short run. Every leading enterprise in different subdivided fields will continue to grow through sharing a relatively speedy expansion in the medicine industry, seizing the market share of eliminated companies and mergers and acquisitions.

According to the Twelfth Five-Year Plan of Chinese Medicine Enterprise Development, it is believed that a group of renowned Chinese medicine enterprises will be developed via the enlarged investments and the development of a more comprehensive investment safeguard system. The PRC government will keep heightening its support for the Chinese medicine industry to facilitate its development into a modern Chinese medicine industry. As an important category of Chinese medicine, Chinese medicine injections are in line with the development direction of modern Chinese medicine and are bound to benefit from the support and attention given by the government to the industry.

The new version of GMP, which took effect from 1 March 2011, provides better guarantee for the quality of modern Chinese medicine. The PRC government has set a transition period for the implementation of the new version of GMP, which is 3 years for risky categories including Chinese medicine injections and 5 years for other categories. The enforcement of the new version of GMP in the coming 3 to 5 years will elevate the competition threshold in the industry and eliminate small pharmaceutical enterprises, which is conducive to resolving the current state where a large number of small and scattered pharmaceutical enterprises coexist and thus enhance the standardized and concentrated development of the industry.

With the rapid economic growth and an increasing per capita income in the PRC, health consciousness has been rising among the general public. Population ageing is also driving up the average level of medicine usage. China Shineway has the capability to capture the opportunities brought by the industrial transformation and reshuffling to expand its sales scale and market share by fully applying industrial policies, expedite the launching of healthcare products, strengthening evolution of terminal markets, emphasis on core momentum of sales and research and development functions and conducting mergers, acquisitions and consolidations, so as to seek the maximum benefits and returns for China Shineway and its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, bank deposits of the Group, amounting to RMB2,132,410,000 (31 December 2011: RMB2,172,812,000) which comprised of RMB1,977,932,000 (31 December 2011: RMB2,076,407,000), were denominated in Renminbi. Others, being equivalent to RMB154,337,000 and RMB141,000 (31 December 2011: RMB96,230,000 and RMB175,000), were denominated in Hong Kong Dollars and United States Dollars respectively.

During the first six months in 2012, the Group did not entered into any derivative instrument investments.

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

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of RMB11 cents per share amounting to RMB90,970,000 in respect of the six months ended 30 June 2012 and are calculated on the basis of 827,000,000 shares issued as at 31 August 2012 (for the six months ended 30 June 2011: RMB11 cents per share, amounting to RMB90,970,000), which will be paid on 31 October 2012, to the shareholders of the Company whose names appear on the Company's register of members on 18 October 2012.

The above interim dividend will be payable in cash in Hong Kong dollars and will be converted from Renminbi at the telegraphic transfer exchange rates quoted by bank at 10:30 a.m. on 31 August 2012 (RMB1=HK$1.222). Accordingly, the amount payable on 31 October 2012 will be HK$0.1344 per share.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2012, the Company or its subsidiaries did not purchase, sell or redeem any shares of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "Code") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2012, except for Code provision A.2.1 as described below.

The Code provision A.2.1 of the Code 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. 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 shall nevertheless review the structure from time to time and shall consider appropriate adjustment should suitable circumstance arise.

COMPLIANCE WITH THE MODEL CODE

The Company adopts the Model Code in Appendix 10 to the Listing Rules 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 2012.

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 2012.

CLOSURE OF SHARE TRANSFER REGISTRATION

The register of members of the Company will be closed from 17 October 2012 to 18 October 2012 (both days inclusive). In order to qualify for the 2012 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 p.m. on 16 October 2012.

INTERIM REPORT

The interim report of 2012 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, 31 August 2012

As at the date of this announcement, the Board comprises Mr. Li Zhenjiang, Ms. Wang Zhihua, Ms. Xin Yunxia and Mr. Li Huimin as executive directors; Mr. Hung Randy King Kuen as non-executive director; Mr. Ren Dequan, Ms. Cheng Li and Mr. Sun Liutai as independent non-executive directors.