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 2013

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2013, the operating results of the Group were as follows:

– Turnover reached RMB1,059,293,000, an increase of 5.7% from the corresponding period of last year;

– Gross profit margin was 66.7% as compared to 65.1% of the corresponding period of last year;

– Profit for the period amounted to RMB385,401,000, an increase of 8.6% over the corresponding period of last year;

– Earnings per share amounted to RMB47 cents;

– Declared interim dividend of RMB11 cents per share.

RESULTS

The board of directors (the "Board") of China Shineway Pharmaceutical Group Limited (the "Company" or "Shineway") is 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 2013 with comparative figures for the six months ended 30 June 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
		RMB'000	*RMB'000*
	NOTES	**(Unaudited)**	(Unaudited)
Turnover	*3*	**1,059,293**	1,002,265
Cost of sales		**(352,667)**	(349,650)
Gross profit		**706,626**	652,615
Other income		**38,730**	41,783
Investment income		**39,375**	45,780
Net exchange loss		**(538)**	(2,771)
Selling and distribution costs		**(191,950)**	(195,346)
Administrative expenses		**(107,751)**	(102,646)
Research and development costs		**(26,757)**	(20,242)
Share of profit of an associate		**232**	–
Profit before taxation		**457,967**	419,173
Taxation	*4*	**(72,566)**	(64,201)
Profit and total comprehensive income for the period	*5*	**385,401**	354,972
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**385,459**	354,986
Non-controlling interests		**(58)**	(14)
		385,401	354,972
Earnings per share – basic	*7*	**RMB47 cents**	RMB43 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	**30.6.2013** *RMB'000* **(Unaudited)**	31.12.2012 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*8*	**1,530,601**	1,398,248
Prepaid lease payments	*9*	**146,189**	148,005
Intangible assets		**628**	738
Interest in an associate		**17,245**	17,013
Goodwill		**91,663**	91,663
Deferred tax assets		**26,626**	25,924
		1,812,952	1,681,591
Current assets			
Inventories		**201,410**	203,965
Trade receivables	*10*	**23,133**	20,385
Bills receivables	*10*	**407,270**	501,233
Prepayments, deposits and other receivables		**92,342**	103,610
Pledged bank deposits		**14,137**	19,860
Bank balances and cash		**2,280,432**	2,212,391
		3,018,724	3,061,444
Current liabilities			
Trade payables	*11*	**189,950**	255,071
Bills payables	*11*	**13,942**	19,731
Other payables and accrued expenses		**273,081**	328,923
Amounts due to related companies		**11,215**	9,009
Deferred income		**4,099**	4,099
Tax liabilities		**34,721**	38,234
		527,008	655,067
Net current assets		**2,491,716**	2,406,377
Total assets less current liabilities		**4,304,668**	4,087,968
Non-current liabilities			
Deferred tax liabilities		**8,483**	1,014
Deferred income		**87,836**	90,336
		96,319	91,350
		4,208,349	3,996,618
Capital and reserves			
Share capital	*12*	**87,662**	87,662
Reserves		**4,120,218**	3,908,429
Equity attributable to owners of the Company		**4,207,880**	3,996,091
Non-controlling interests		**469**	527
		4,208,349	3,996,618

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 "Listing Rules") and with International Accounting Standard 34 "Interim Financial Reporting" issued by International Accounting Standards Board.

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs"):

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

IFRS 13 "Fair value measurement"

The Group has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 13.

Amendments to IAS 1 "Presentation of items of other comprehensive income"

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. In addition, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the statement of comprehensive income has been renamed to reflect the changes.

Except as described above, the application of the other new or revised IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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 ("CODM"), 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 CODM.

4. TAXATION

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**71,055**	66,811
Overprovision in prior year	**(5,257)**	(10,578)
Withholding tax on distributed profits	**–**	7,500
	65,798	63,733
Deferred tax:		
Current year	**(732)**	468
Withholding tax on undistributed profits	**7,500**	–
	6,768	468
	72,566	64,201

The provision for PRC Enterprise Income Tax ("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 PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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 or recognised as High and New-tech Enterprise will expire in 2020 and 2014 respectively. In addition, a subsidiary which is operating in agricultural products business has been granted tax exemption by the local tax bureau.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB2,239,791,000 (31.12.2012: RMB1,886,203,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	**110**	367
Amortisation of prepaid lease payments	**1,816**	1,812
Depreciation of property, plant and equipment	**48,373**	33,646
Government subsidies (included in other income) *(Note a)*	**(38,509)**	(41,428)
Interest income from bank deposits (included in investment income)	**(24,852)**	(10,047)
Investment income from debt related products *(Note b)*	**(3,353)**	(6,070)
Investment income from short-term debt related products *(Note c)*	**(11,170)**	(29,663)
Loss on disposal of property, plant and equipment	**38**	22

Notes:

(a) The government subsidies represent the amounts received from the local government by the PRC subsidiaries of the Company. In the current period, government subsidies of (a) RMB36,009,000 (2012: RMB36,867,000) represent incentive received in relation to carrying out business operations in relevant regions in the PRC; and (b) RMB2,500,000 (2012: RMB4,561,000) 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 2013 with effective interest rate ranged from 4.6% to 5.1% (2012: 5.5% to 5.6%) per annum.

(c) These short-term debt related products carried effective interest rate ranged from 4.9% to 5.0% (2012: 4.7% to 6.1%) per annum. In the opinion of the directors of the Company, these short-term debt related products are large in 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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends		
– 2012 final dividend of RMB12 cents (2011: RMB12 cents) per share paid	**99,240**	99,240
– 2012 special dividend of RMB9 cents (2011: RMB14 cents) per share paid	**74,430**	115,780
	173,670	215,020
– 2013 interim dividend of RMB11 cents (2012: 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 30 August 2013, and will be paid on 31 October 2013, to the shareholders of the Company whose names appear in the Company's register of member on 18 October 2013.

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	
	2013	2012
	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	**385,459**	354,986

	Six months ended 30 June	
	2013	2012
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 RMB5,738,000 (2012: RMB1,171,000), plant and machinery of RMB27,331,000 (2012: RMB12,456,000), office equipment of RMB8,235,000 (2012: RMB2,610,000), motor vehicles of RMB7,000 (2012: RMB44,000) and made additions to construction in progress of RMB139,454,000 (2012: RMB181,882,000).

9. PREPAID LEASE PAYMENTS

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of the period/year	**151,482**	153,901
Additions during the period/year	**–**	1,210
Expensed for the period/year	**(1,816)**	(3,629)
At end of the period/year	**149,666**	151,482
Medium-term leasehold land in PRC		
Current portion (included in other receivables)	**3,477**	3,477
Non-current portion	**146,189**	148,005
	149,666	151,482

10. TRADE AND BILLS RECEIVABLES

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**23,133**	20,385
Bills receivables	**407,270**	501,233
	430,403	521,618

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, which approximated the revenue recognition date is as follows:

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**430,211**	521,556
Over 6 months but less than 1 year	**192**	62
	430,403	521,618

11. TRADE AND BILLS PAYABLES

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**189,950**	255,071
Bills payables	**13,942**	19,731
	203,892	274,802

An aged analysis of the Group's trade and bills payables based on the invoice date is as follows:

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**171,293**	234,446
Over 6 months but less than 1 year	**17,825**	12,630
Over 1 year but less than 2 years	**9,932**	15,793
Over 2 years	**4,842**	11,933
	203,892	274,802

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	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
Balance at 1 January 2012, 31 December 2012 and 30 June 2013	5,000,000	500,000
Issued and fully paid:		
Balance at 1 January 2012, 31 December 2012 and 30 June 2013	827,000	82,700

	RMB'000
Shown in the financial statements as	87,662

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

13. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

14. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in the condensed consolidation financial statements, the Group had the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Rental expenses paid to Shineway Medical Science & Technology Co., Ltd. ("Shineway Medical") *(Note)*	**1,736**	310
Rental expenses paid to Shineway Medical Science & Technology (Lang Fang) Co., Ltd. ("Shineway Lang Fang") *(Note)*	**465**	–
Service fee to Shineway Medical *(Note)*	**3,645**	3,401
Service fee to Shineway Lang Fang *(Note)*	**1,063**	874

Note: Shineway Medical and Shineway Lang Fang are 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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**2,808**	2,005
Post-employment benefits	**30**	8
	2,838	2,013

15. COMMITMENTS

(a) Operating lease commitments

At 30 June 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**2,624**	1,205
In the second to fifth year inclusive	**4,573**	–
	7,197	1,205

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.

Included in the above, the Group had future aggregate minimum lease payments under non-cancellable operating leases with related parties which are ultimately controlled by the controlling shareholder of the Company as follows:

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**2,067**	–
In the second to fifth year inclusive	**4,133**	–
	6,200	–

(b) Capital commitments

At 30 June 2013, capital expenditure of RMB522,432,000 (31.12.2012: RMB625,653,000) 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 2013, the Group recorded a turnover of RMB1,059,293,000, an increase of 5.7% as compared to the corresponding period last year. Sales by product form for the period are set out as follows:

	Sales	Product mix	Growth rate
Injections	RMB625,170,000	59.0%	14.0%
Soft Capsules	RMB232,264,000	21.9%	3.6%
Granules	RMB165,097,000	15.6%	-9.2%
Other product formats	RMB36,762,000	3.5%	-23.3%

The Group's profit attributable to owners of the Company for the period ended 30 June 2013 is RMB385,459,000 representing an increase of 8.6% as compared to the corresponding period of last year. The rise in profit was mainly attributable to the growth of product sale and increase in operating profit.

Injection Products

For the first six months of 2013, the Group sold RMB625,170,000 of injection products, representing a rise of 14.0% from the same period of last year. For the first six months of 2013, injection products accounted for 59.0% of the Group's total turnover as compared to 54.7% for the same period of last year. In the first half of 2013, sales of injection products recorded an increase. This was mainly attributable to the increase in sales of Qing Kai Ling Injection and Shen Mai Injection.

Soft Capsule Products

For the first six months of 2013, the Group recorded RMB232,264,000 on sales of soft capsule products, elevated by 3.6% from the same period of last year. This was mainly due to the sales of Wu Fu Xin Nao Qing Soft Capsule recorded increase as compared to the same period of last year.

Soft capsule products accounted for 21.9% of the Group's turnover for the first six months of 2013, as compared to 22.4% for the same period of last year. 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 2013 had decreased by 9.2% as compared to the same period of last year, amounting RMB165,097,000. This was mainly resulted from the sales decline of pediatric granule series.

Granule products accounted for 15.6% of the Group's turnover for the first six months of 2013 as compared to 18.1% of the same period of 2012. The Group's production capacity of granule products is currently at 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 2013 had decreased by 23.3% as compared to the same period of last year, amounted to RMB36,762,000. The decline was mainly attributable to the decrease in sales of Fufang Gancao Pian and oral syrup series as compared to the same period last year.

PROSPECT

2013 is a critical year of refinement of medical reform in the PRC, to encourage and support the development of medicine industry will be the trend of future policy guidance with the advance of medical reform and the introduction of related policies of the twelfth Five-Year Plan. The 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 industry, seizing the market share by eliminating companies and merger and acquisitions. In following years, medicine industry will maintain a steady growth, the concentration of the industry will keep increasing, medicine tendering and purchasing will be ruled and adjusted, the government will strengthen the control on medicine price, such that the sale model under the new medical reform will be changed, competition in the pharmaceutical market is getting more and more intensified and the competition pattern would be changed, which will create both opportunities and challenges for enterprises.

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 supports the development of Chinese medicine industry, and 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 Chinese medicine industry.

Accelerated implementation of the new version of GMP could help to establish a more completed system of medicine production and supply, elevate the competition threshold in the industry and eliminate backward productivities, speed up the upgrading of the industry and promote maximum allocation of resources in medicine industry to dominant enterprises. Shineway's all under-processing formulations have obtained the pioneer approval under the new version of GMP, which build the leading position of the Group in the Chinese medicine industry.

With the rapid development of the economy and continuous increasing of per capita income, accelerated construction of the national medical insurance system, further expansion of basic health insurance coverage and continuous push in the implementation of basic medicine in China, the whole pharmaceutical market has been expanded and constantly improved the average medicine consumption level. Shineway made active respond to the changes of the new policy and the competitive landscape of the medical reform by making full use of industrial policy, making innovation in marketing mode, intensifying research and development of new drugs, merging and integrating advantage resources of the industry, strengthening the terminal quality construction and marketing depth, firmly pushing forward the building of grassroots market, expanding the development in the middle to high-end market, and basing on formulation of the two core driving forces, namely, marketing and R&D, increasing scale sales and market share as well as purchasing high efficiency of management and profit through various management methods such as creative operation and lower cost with higher efficiency, which will bring the maximum interest and return for Shineway and its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, bank deposits of the Group, amounting to RMB2,280,432,000 (31 December 2012: RMB2,212,391,000) which comprised of RMB2,205,905,000 (31 December 2012: RMB2,155,943,000), were denominated in Renminbi. Others, being equivalent to RMB64,491,000, RMB9,906,000 and RMB130,000 (31 December 2012: RMB56,300,000, nil and RMB148,000), were denominated in Hong Kong dollars, Australian dollars and United States dollars respectively.

During the first six months in 2013, 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 2013 and are calculated on the basis of 827,000,000 shares in issue as at 30 August 2013 (for the six months ended 30 June 2012: RMB11 cents per share, amounting to approximately RMB90,970,000), which will be paid on 31 October 2013, to the shareholders whose names appear on the Company's register of members on 18 October 2013.

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 30 August 2013 (RMB1=HK$1.269). Accordingly, the amount payable on 31 October 2013 will be HK$0.1396 per share.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2013, the Company or its subsidiaries did not purchase, sell or redeem any shares of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions in the Corporate Governance Code (effective from 1 April 2012) (the "Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2013, except for code provision A.2.1 as described below.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct for directors in their dealings 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 2013. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code for the six months ended 30 June 2013. No incident of non-compliance with these written guidelines by the relevant employees was noted by the Company.

AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management and external auditors the accounting principles and policies adopted by the Group and the interim report for the six months ended 30 June 2013.

CLOSURE OF SHARE TRANSFER REGISTRATION

The register of members of the Company will be closed from 17 October 2013 to 18 October 2013 (both days inclusive). In order to qualify for the 2013 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 2013.

INTERIM REPORT

The interim report of 2013 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, 30 August 2013

As at the date of this announcement, the Board comprises Mr. Li Zhenjiang, Ms. Xin Yunxia, Mr. Li Huimin, Lee Ching Ton Brandelyn and Dr. Wang Zheng Pin 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.