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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

- Turnover increased by 2.6% from last year to RMB2,187,115,000.
- Profit for the year increased by 5.6% from last year to RMB683,642,000.
- Profit for the year increased mainly attributable to the increase in turnover and operating profit.
- Basic and diluted earnings per share were RMB0.83.
- Recommended final dividend of RMB0.12 per share and special dividend of RMB0.10 per share.

RESULTS

The board of directors (the "Board") of China Shineway Pharmaceutical Group Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Turnover	3	**2,187,115**	2,132,249
Cost of sales		**(712,692)**	(740,303)
Gross profit		**1,474,423**	1,391,946
Other income		**85,572**	76,289
Investment income	4	**89,389**	80,007
Net exchange loss		**(1,726)**	(4,733)
Distribution costs		**(439,137)**	(423,258)
Administrative expenses		**(262,025)**	(252,762)
Research and development costs		**(83,288)**	(68,046)
Share of profit of an associate		**1,184**	293
Loss on disposal of an associate		**(1,467)**	–
Finance costs	5	**(3,279)**	–
Profit before taxation		**859,646**	799,736
Taxation	6	**(176,004)**	(152,081)
Profit and total comprehensive income for the year	7	**683,642**	647,655
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**683,647**	647,704
Non-controlling interests		**(5)**	(49)
		683,642	647,655
Earnings per share			
– Basic	8	**83 cents**	78 cents
– Diluted		**83 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**1,599,242**	1,398,248
Prepaid lease payments		**144,216**	148,005
Intangible assets		**518**	738
Interest in an associate		**–**	17,013
Goodwill		**91,663**	91,663
Deferred tax assets	*10*	**25,439**	25,924
		1,861,078	1,681,591
Current assets			
Inventories		**244,484**	203,965
Trade receivables	*11*	**10,105**	20,385
Bills receivables	*11*	**669,941**	501,233
Prepayments, deposits and other receivables		**122,091**	103,610
Pledged bank deposits		**538,690**	19,860
Bank balances and cash		**2,291,905**	2,212,391
		3,877,216	3,061,444
Current liabilities			
Trade payables	*12*	**208,152**	255,071
Bills payables	*12*	**11,427**	19,731
Other payables and accrued expenses		**418,455**	328,923
Amounts due to related companies		**11,330**	9,009
Deferred income	*13*	**1,140**	4,099
Tax liabilities		**29,496**	38,234
Bank borrowing	*14*	**500,000**	–
		1,180,000	655,067
Net current assets		**2,697,216**	2,406,377
Total assets less current liabilities		**4,558,294**	4,087,968
Non-current liabilities			
Deferred tax liabilities	*10*	**28,802**	1,014
Deferred income	*13*	**99,876**	90,336
		128,678	91,350
		4,429,616	3,996,618
Capital and reserves			
Share capital		**87,662**	87,662
Reserves		**4,341,432**	3,908,429
Equity attributable to owners of the Company		**4,429,094**	3,996,091
Non-controlling interests		**522**	527
		4,429,616	3,996,618

Notes:

1. GENERAL

The Company is a listed company registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 14 August 2002 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Forway Investment Limited, a company incorporated in the British Virgin Islands with limited liability. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report to be published by the Company.

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries engaged in research and development manufacturing and trading of Chinese pharmaceutical products.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year.

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

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 13 “Fair value measurement”

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply 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, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based payment”, leasing transactions that are within the scope of IAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of 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.

Amendments to IAS 1 “Presentation of items of other comprehensive income”

The Group has applied the amendments to IAS 1 “Presentation of items of other comprehensive income”. Upon the adoption of the amendments to IAS 1, the Group’s “statement of comprehensive income” is renamed as the “statement of profit or loss and other comprehensive income”. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income 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 option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities[1]
Amendments to IAS 19	Defined benefit plans: Employee contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures[3]
Amendments to IAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to IFRSs	Annual improvements to IFRSs 2010-2012 cycle[4]
Amendments to IFRSs	Annual improvements to IFRSs 2011-2013 cycle[2]
IFRS 9	Financial instruments[3]
IFRS 14	Regulatory deferral accounts[5]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

IFRS 9 "Financial instruments"

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 will not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on the Group's financial instruments reported at the end of the reporting period.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material effect on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Operating segments

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 year 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.

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2013	2012
	RMB'000	*RMB'000*
Injections	**1,334,872**	1,238,486
Soft capsules	**437,885**	446,739
Granules	**341,532**	366,300
Others	**72,826**	80,724
	2,187,115	2,132,249

Geographical information

Sales of the Group to external customers were substantially made in the People's Republic of China (the "PRC") including Hong Kong.

All non-current assets of the Group including goodwill are located in the PRC including Hong Kong.

Information about major customers

For each of the year ended 31 December 2013 and 2012, there was no customer with turnover accounted for more than 10% of the Group's total turnover.

4. INVESTMENT INCOME

	2013	2012
	RMB'000	*RMB'000*
Interest on bank deposits	**59,543**	31,553
Investment income from debt related products	**3,352**	6,070
Investment income from short-term debt related products	**26,494**	42,384
	89,389	80,007

5. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest on bank borrowing wholly payable within one year	**3,279**	–

6. TAXATION

	2013	2012
	RMB'000	*RMB'000*
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax	**142,210**	123,965
Overprovision in prior years	**(1,979)**	(8,306)
Withholding tax paid on distributed profits	**7,500**	36,583
	147,731	152,242
Deferred tax *(note 10)*	**28,273**	(161)
	176,004	152,081

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year. The Company and its subsidiaries operating in Hong Kong do not have assessable profits, accordingly, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements.

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 both years.

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 years. 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.

7. PROFIT FOR THE YEAR

	2013	2012
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**35,680**	31,343
Other staff costs	**169,987**	142,495
Other staff's pension costs	**49,923**	44,204
Share-based payment expense for other staff	**12,226**	–
	267,816	218,042
Amortisation of intangible assets	**220**	692
Amortisation of prepaid lease payments	**3,633**	3,629
Auditor's remuneration	**1,474**	1,528
Depreciation of property, plant and equipment	**97,840**	77,681
(Gain) loss on disposal of property, plant and equipment	**(80)**	39
Rental expenses under operating lease in respect of rented premises	**5,327**	2,430
Government subsidies (included in other income) *(Note)*	**(83,989)**	(76,021)

Note: The government subsidies represent the amounts received from the local government by the subsidiaries of the Company. In 2013, government subsidies of (a) RMB78,530,000 (2012: RMB71,901,000) represent incentives received in relation to carrying out business operations in relevant regions in the PRC; and (b) RMB5,459,000 (2012: RMB4,120,000) represent recognition of deferred income upon completion of related research activities (note 13).

8. EARNINGS PER SHARE

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

	2013	2012
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**683,647**	647,704

	Number of ordinary shares	
	2013	2012
Number of ordinary shares for the purpose of basic and diluted earnings per share	**827,000,000**	827,000,000

The computation of diluted earnings per share for the year ended 31 December 2013 has not assumed the exercise of the Company's share options because the adjusted exercise prices of the share options (after the adjustment of the fair value of the unvested share options) were higher than the average market prices of those shares for the outstanding period during the year ended 31 December 2013.

9. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Dividends recognised as distributions during the year:		
Final dividend paid for 2012 of RMB12 cents (2011: RMB12 cents) per share	**99,240**	99,240
Special dividend paid for 2012 of RMB9 cents (2011: RMB14 cents) per share	**74,430**	115,780
Interim dividend paid for 2013 of RMB11 cents (2012: RMB11 cents) per share	**90,970**	90,970
	264,640	305,990
Dividends proposed:		
Proposed final dividend of RMB12 cents (2012: RMB12 cents) per share	**99,240**	99,240
Proposed special dividend of RMB10 cents (2012: RMB9 cents) per share	**82,700**	74,430
	181,940	173,670

The final dividend of RMB12 cents per share and special dividend of RMB10 cents per share, totalling RMB22 cents, have been proposed by the directors of the Company (the "Directors", each a "Director") and is subject to approval by the shareholders in the general meeting.

10. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013	2012
	RMB'000	*RMB'000*
Deferred tax assets	**25,439**	25,924
Deferred tax liabilities	**(28,802)**	(1,014)
	(3,363)	24,910

The followings are the major deferred tax liabilities and assets recognised and movement thereon during the current and prior years.

	Accelerated tax depreciation	**Deferred income**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	5,463	18,667	619	24,749
(Charge) credit to profit or loss	(146)	–	307	161
At 31 December 2012	5,317	18,667	926	24,910
Charge to profit or loss	(146)	–	(28,127)	(28,273)
At 31 December 2013	5,171	18,667	(27,201)	(3,363)

Note: Others mainly represent deferred tax liabilities on undistributed profits of the PRC subsidiaries.

At the end of the reporting period, the Group has unused tax losses of approximately RMB113,244,000 (2012: RMB94,026,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Unrecognised tax losses may be carried forward indefinitely.

Under the EIT Law, 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 consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB2,193,071,000 (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.

11. TRADE AND BILLS RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**10,229**	20,509
Less: Allowance for doubtful debts	**(124)**	(124)
	10,105	20,385
Bills receivables	**669,941**	501,233
	680,046	521,618

The Group allows a credit period normally ranging from six months to one year to its trade customers. The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2013	2012
	RMB'000	*RMB'000*
Within 6 months	**679,992**	521,556
Over 6 months but less than 1 year	**54**	62
	680,046	521,618

12. TRADE AND BILLS PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**208,152**	255,071
Bills payables	**11,427**	19,731
	219,579	274,802

An aged analysis of the Group's trade and bills payables at the end of the reporting period is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 6 months	**206,540**	234,446
Over 6 months but less than 1 year	**1,904**	12,630
Over 1 year but less than 2 years	**4,279**	15,793
Over 2 years	**6,856**	11,933
	219,579	274,802

Trade and bills 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.

13. DEFERRED INCOME

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**94,435**	77,766
Addition during the year	**12,040**	20,789
Recognised as other income	**(5,459)**	(4,120)
At 31 December	**101,016**	94,435
Analysed for reporting purpose as		
Current liabilities	**1,140**	4,099
Non-current liabilities	**99,876**	90,336
	101,016	94,435

Included in the deferred income at 31 December 2013 are government subsidies amounting to RMB26,350,000 (2012: RMB19,769,000) in relation to research and development expenses on certain new products not yet recognised. The subsidy is recognised as deferred income because there is an obligation to repay the subsidy if the related research is not successfully completed. The amount will be recognised in profit or loss when the related research is successfully completed. During the year, the Group received RMB12,040,000 (2012: RMB20,789,000) government subsidies in relation to research and development expenses and recognised RMB5,459,000 (2012: RMB4,120,000) in profit or loss as the related researches are successfully completed.

At 31 December 2013 and 2012, the deferred income included a government subsidy amounting to RMB74,666,000 received in 2010 in relation to a development project, including the construction of production premises and acquisition of plant and machineries, in the 邛崍醫藥產業園 ("Qionglai Pharmaceutical Area") in Sichuan Province in the PRC. The grant is recognised as deferred income and to be credited to profit or loss on a systematic basis over the useful lives of the related assets when the assets are ready for management's intended use. The Group has an obligation to repay the grant if the grant is not utilised for the development project. No deferred income is transferred to profit or loss as the related development project has not been completed at the end of the reporting period.

14. BANK BORROWING

The bank borrowing is secured and repayable within one year. At the end of the reporting period, the Group has pledged certain pledged bank deposits of RMB527,000,000 (2012: nil) to a bank to secure the bank borrowing granted to the Group. The bank borrowing carries a fixed interest at 2.85% (2012: nil) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Under the influences of the environmental policies such as the continued steady growth of the pharmaceutical industry, the appearance of the new Essential Drug List, tenders for the medicines, implementation of the new GMP and GSP and the extension of the work arrangements on the health care system reform, the Group coped with changes with market oriented, all of these led 2013 to be a year during which the corporation made a solid foundation, integrated resources, constantly innovated and developed steadily.

In 2013, the Group was rated as the national technological innovation demonstration enterprise and the national demonstration enterprise on the integration of information technology and industrialization, and also included in the first batch of the national intellectual property superior enterprises. The national and local united engineering laboratory for the development technology of the new Chinese medicine injection (中藥注射劑新藥開發技術國家地方聯合工程實驗室) located in SHINEWAY was approved by the National Development and Reform Commission. It is also the sole national and local united engineering laboratory (國家地方聯合工程實驗室) in the technological area of the Chinese medicine injection. The Group actively undertook the revaluation work for the safety of the Chinese medicine injection products after their launch, among which, 30,000 cases of clinical researches for the Shen Mai injection were completed, which had a positive model function of promoting the improvement of the product quality standard. The strength of tackling the key problem of the Group was constantly enhanced, and the improving work of the standards for 23 breeds such as Pediatric Qing Fei Hua Tan granules and Huamoyan granule was completed, so as to improve the product quality. In 2013, both Shineway Pharmaceutical (Sichuan) Limited and Hebei Shineway Pharmaceutical Company Limited passed the new GMP certification successfully. So far, all of the injection products of the Group passed the new GMP certification, which enhanced our enterprise brand competition.

The Group recorded increases in both its turnover and profit as compared to last year. For the year 2013, the Group recorded a turnover of RMB2,187,115,000, an increase of 2.6% from previous year. Sales by product form for the year are set out as follows:

	Sales *(RMB)*	**Growth Rate**	**Product Mix**
Injections	1,334,872,000	7.8%	61.0%
Soft Capsules	437,885,000	-2.0%	20.0%
Granules	341,532,000	-6.8%	15.6%
Other product formats	72,826,000	-9.8%	3.4%

The Group's profit attributable to owners of the Company for 2013 is RMB683,647,000, representing a rise 5.5% from year 2012. The rise in profit was mainly attributable to the increased turnover and operating profit.

Injection Products

During 2013, the Group sold RMB1,334,872,000 of injection products, an increase of 7.8% from year 2012. Amongst these injection products, Qing Kai Ling injection remained the key product of the Group. Injection products accounted for 61.0% of the Group's turnover in 2013, while they contributed 58.1% of the turnover in prior year.

There are continued market demands for Chinese medicine injection products. The Group believes that it is currently the largest Chinese medicine injections manufacturer in the PRC in terms of sales volume and production capacity. A number of the Group's injection products are designated by regulatory agencies as "Good Quality/Good Price" products. The construction of our new injection production workshop has completed with the new GMP certification gained and commenced production during the year. The Group's injection production capacity is approximately 3.2 billion vials per annum.

The Group considers that, Chinese medicine injection, as a significant innovation on the modernization of the Chinese medicine, its overall situation supported by the state will not change. The Group positively undertakes the basic research for the medicinal materials and the revaluation work for the safety of the Chinese medicine injection, further strengthen the safety of the Chinese medicine injection and the controllability on its quality. While those manufacturers with serious adverse reaction, backward technologies and lower quality will be eliminated, which will help to improve the industry concentration and expedite the survival of the fittest in the pharmaceutical industry. The good curative effect of Chinese medicine injection will be recognized by the market and the Group's advantages of quality, cost, size and brand will become more prominent.

In the coming year, the Group will continue to expand our point of sales and further strengthen promotion efforts of end user market to ensure better growth of our injection products.

Soft Capsule Products

During 2013, the Group recorded RMB437,885,000 on sales of soft capsule products, a decrease of 2.0% from last year. The decline was mainly driven by the decreased sales of Huo Xiang Zheng Qi Soft Capsule and Qing Kai Ling Soft Capsule.

Soft Capsule products accounted for 20.0% of the Group's turnover in 2013, as compared to 21.0% in last year. The Group's current production capacity for soft capsules is 3.5 billion capsules per annum. The Group believes that it is currently the largest Chinese medicine soft capsules manufacturer in the PRC in terms of sales volume and production capacity.

The Group will continue to strengthen our brand promotion and marketing effect on our soft capsules products to advance their business growth in the coming year.

Granule Products

Sales of granule products in 2013 decreased by 6.8%, amounted to RMB341,532,000. The decline was mainly attributable to the year-on-year sales decrease of certain pediatric series granule products.

Granule products accounted for 15.6% of the Group's turnover in 2013 as compared to 17.2% in 2012.

The Group's new granule and tablet workshop commenced production in previous year with annual production capacity for granule products of 3.4 billion bags per annum. The Group believes that it is currently the largest Chinese medicine granules manufacturer in PRC in terms of sales volume and production capacity.

Other Products

Sales of other products in 2013 decreased by 9.8% compared to last year, amounted to RMB72,826,000. The decrease was mainly attributable to the decline in sales of certain tablet and oral syrup products as compared with last year.

Key Products

The six key products of the Group were Qing Kai Ling Injection, Shen Mai Injection, Shu Xie Ning Injection, Wu Fu Xin Nao Qing Soft Capsule, Huo Xiang Zheng Qi Soft Capsule and Pediatric Qing Fei Hua Tan Granule.

Qing Kai Ling Injection – a widely used anti-viral medicine for treatment of viral diseases including respiratory tract infection, viral hepatitis, cerebral haemorrhage and cerebral thrombosis

Our Qing Kai Ling Injection increased in sales from last year and is the major contributor to the Group's turnover.

Qing Kai Ling Injection is listed in the "National Catalogues of Medical Insurance and Occupational Injury Insurance". It is designated by the State Administration of Traditional Chinese Medicine as an "Indispensable Chinese Medicine for the Emergency Wards of Chinese Hospitals". It is also recommended by the Ministry of Health of the PRC for treating Human Transmitted Avian Flu and the A(H1-N1) Flu. The product has broad clinical applications. Qing Kai Ling Injection produced by the Group is a famous anti-viral medicine and has been selected as the National Reserved Medicine.

Qing Kai Ling Injection has been included by the Ministry of Health in the Essential Drug List in 2010. The Group believes with vigorously investment in building the New Rural Cooperative Medical Care System by the State, Urban Resident Basic Medical Insurance and implementing the Essential Drug List by the PRC, as well as the Measures for the Administration on the Clinical Application of Antibacterial Medicines launched by the Ministry of Health of the PRC in August 2012, which will restrict the overuse of antibacterial medicines in clinics, market demand of heat clearing and anti-toxic Chinese medicine, especially for Qing Kai Ling Injection, is expected to grow vastly. The Group believes that it is the largest manufacturer of Qing Kai Ling Injection in the PRC based on sales volume and sales amount. The Group will further enhance market coverage and penetration of end networks, as well as to strengthen marketing and promotion effort at the points of sales. Qing Kai Ling Injection will sustain steady growth.

Shen Mai Injection – for treatment of coronary heart disease, viral myocarditis and pulmonary heart disease

In 2013, sales of Shen Mai Injection decreased compared with last year.

Shen Mai Injection is included in the National Catalogues of Medical Insurance and Occupational Injury Insurance and the Essential Drug List. It is also included in the recommendation of the Ministry of Health of the PRC for treating Avian Flu and the A(H1-N1) Flu.

The Group believes that it is the largest manufacturer of Shen Mai Injection in the PRC based on sales volume. The Group will strive to further expand market share and penetration for Shen Mai Injection to generate further growth in the coming years.

Shu Xie Ning Injection – for treatment of cardio-cerebrovascular disease

In 2013, sales of Shu Xie Ning Injection increased compared with last year.

Shu Xie Ning Injection is designated as a "Good Quality/Good Price" product by the PRC authorities. It is included in the National Catalogues of Medical Insurance and Occupational Injury Insurance and is one of the first tier medicines for treatment of cardiovascular diseases. The Group will continue to further enhance market coverage and penetration, foster marketing effort at the points of sales, and look for strategic distributors and rationalize distribution channels to achieve continuous growth.

Wu Fu Xin Nao Qing Soft Capsule – for prevention and treatment of coronary heart disease and cerebral arteriosclerosis

In 2013, sales of Wu Fu Xin Nao Qing Soft Capsule increased compared with last year.

Wu Fu Xin Nao Qing Soft Capsule is ranked among the top ten cardiovascular Chinese medicines in the country. The "Wu Fu" trademark was certified as a "China Famous Trademark". It is also one of the lowest in cost of average daily dosage among similar cardiovascular medicines. The Group will continue to strengthen our effort on promoting the "Wu Fu" brand and deepen our end-user market coverage and exercise more support to our distributors by increasing promotional activities to broaden its sale.

Huo Xiang Zheng Qi Soft Capsule – for prevention and treatment of heat stroke, stomachache, nausea and diarrhoea, acclimatization sickness

In 2013, sales of Huo Xiang Zheng Qi Soft Capsule decreased compared with last year.

Huo Xiang Zheng Qi Soft Capsules is listed in the National Catalogues of Medical Insurance and Occupational Injury Insurance. It is also recommended by the Ministry of Health of the PRC for Avian Flu and the A(H1-N1) Flu. Due to its effective efficacy and the high bioavailability of soft capsule, Huo Xiang Zheng Qi Soft Capsule is a very popular OTC Chinese medicine.

The Group will continue to expand end market coverage. Furthermore, we will expedite partnership with strategic distributors and chain drugstores, and increase promotion to strive for better growth of Huo Xiang Zheng Qi Soft Capsule.

Pediatric Qing Fei Hua Tan Granule – for children infected by respiratory related disease

In 2013, sales of Pediatric Qing Fei Hua Tan Granule decreased compared with last year.

Pediatric Qing Fei Hua Tan Granule has superb curative effect and has become a famous brand of children coughing medicine. The Group will continue to increase advertising and joint promotional campaign with chain drug stores to ensure sales growth momentum of this product. The "Shen Miao" trademark was certified as a "China Famous Trademark".

Emerging Products

Huang Qi Injection – for treatment of viral myocarditis, heart malfunction and hepatitis

In 2013, sales of Huang Qi Injection increased compared with last year.

Huang Qi Injection is listed in the National Catalogues of Medical Insurance and Occupational Injury Insurance. Viral myocarditis has become more prevalent in recent years. With a proven efficacy on such illness, Huang Qi Injection has strong market potential. The Group will continue to further enhance market coverage and penetration and growth in sales of Huang Qi Injection is expected in the coming years.

Qing Kai Ling Soft Capsule – for treatment of high fever, viral influenza and respiratory tract infection

In 2013, sales of Qing Kai Ling Soft Capsule decreased compared with last year.

Qing Kai Ling Soft Capsule is both a prescription and non-prescription medicine.

Benefited greatly by the synergistic effect of Qing Kai Ling Injection, the Group will further expedite partnership with strategic distributors and chain drug stores, and increase promotion effort to ensure sales momentum of this product.

Huamoyan Granule – for treatment of both acute and chronic synovitis and treatment after joints surgery

In 2013, sales of Huamoyan Granule increased compared with last year.

Synovitis is currently a relatively common type of arthropathy which widely affects the mid-aged group, senior citizens, athletes and patients after joint surgeries. Huamoyan Granule produced by the Group is the first innovative medicine approved by the State Food and Drug Administration for the treatment of synovitis. It is an original and self-developed product with proprietary formulations, marking a milestone for the treatment of synovitis and bringing the same to a new height. With the Group's intensified presence in the end market of hospitals and the advancement of the promotion to professionals and academics, this product has obtained sound performance and returns from the market with an on-going momentum for growth.

Shujin Tongluo Granule – for treatment of spondylosis, neck stiffness and symptoms such as pains of neck, shoulder and back

In 2013, sales of Shujin Tongluo Granule increased compared with last year.

The increase in the number of people who tilt down their heads during work has resulted in a growing prevalence of spondylosis nowadays, and the disease has also shown a trend of younger. Shujin Tongluo Granule produced by the Group is currently the only proprietary and multi-target Chinese medicine in the market which addresses both symptoms and root causes to continuously mitigate the symptoms of spondylosis. It also has a noticeable effect on curing both nerve root type and vertebral artery type of spondylosis, hence offering clinical doctors with a new choice for the treatment of spondylosis. After the ongoing academic promotion in recent years, Shujin Tongluo Granule has achieved strong market growth.

Jiangzhi Tongluo Soft Capsule – for treatment of symptoms such as hyperlipidemia, chest and hypochondrium pain and chest tightness

In 2013, sales of Jiangzhi Tongluo Soft Capsule increased compared with last year.

Jiangzhi Tongluo Soft Capsule produced by the Group is a national key new product jointly certified by four ministries and commissions, including the Ministry of Science and Technology of the PRC. It is used for the revitalisation of blood and "Qi" circulation and for lowering blood cholesterol. Jiangzhi Tongluo Soft Capsule is superior to the existing blood cholesterol drugs in terms of effectiveness, and its liver protection ability provides what other similar clinical products lack, and is therefore a clear choice for patients undergoing long-term hyperlipidemia treatment. The Group will continue to promote the product to professionals and academics, provide physicians with information regarding the product and increase brand awareness so as to establish it as the best brand among other cholesterol-regulating drugs.

RESEARCH AND DEVELOPMENT

Currently, there are various research projects undergoing pharmaceutical and clinical trials, including 3 of which are for the treatment of cardiovascular diseases, 2 for the treatment of viral diseases, 1 for the treatment of gynaecological diseases, 1 for the treatment of orthopedics, 2 for cancer adjuvant illnesses, a joint research project with a university in Australia to develop new medicines for the treatment of vascular dementia and several health supplements research projects. The Group has 12 launched Chinese medicine injection products which are now under launched product re-evaluation. A special project team is established to explore new products investment opportunity studies.

PATENT APPLICATIONS

The Group continued to strengthen the protection of its intellectual property rights. During 2013, the Group received 9 invention patents from State Intellectual Property Office of the PRC.

As at the date of this announcement, the Group has obtained 31 patents for our inventions, and a total of 28 patent applications are pending for approval.

STATE PROTECTED CHINESE MEDICINES

As of 31 December 2013, the Group had 3 products listed as State Protected Chinese Medicines, including Jiangzhi Tongluo Soft Capsule, Xuanmai Ganjie Lozenge and Shujin Tongluo Granule.

PROSPECT

In recent years, medical industry grew steadily, following the extension of medical reform, the coverage of medical insurance raised significantly, the medicine quality standard system and management were improved constantly, and the relevant policies issued by the State Council accelerated the development of health service industry, all these indicated a prosperous future of the medical industry development. Currently, the medical industry is in a key period during which its structure is transformed and upgraded, such industry will experience a remarkable growth in its innovation ability and a larger breakthrough in its future development.

Following the extension of the new version of Essential Drug List and the supplemental Essential Drug catalogues of provinces, the sales volume in fundamental medical market constantly increases, and the superior growth enterprises with continuous competition will provide a favorable opportunity for its rapid growth. While, the medical industry also faces uncertainties in many aspects including medical insurance payment system reform, drug price reduction and medical tenders, all of which will be the main policy factors unchangeably affect the industry growth and profit margin in the future. Therefore, the medical industry development will be full of opportunities and challenges.

Implementation of the new version of GMP, especially the coming end of sterile preparation causing the potential elimination of non-compliance enterprises, will lead to a reset in medical industry and an accelerated improvement in industry concentration. It's helpful to the orderly competition and survival of the fittest. All the product lines of SHINEWAY have fully passed the new version of GMP certification, which sets up a leader position in the industry and promotes the improvement of quality regulation system of our enterprise.

SHINEWAY focuses on the main business of modern Chinese medicine, positively copes with policy changes, strengthens the terminal network construction, improves the control of terminals; speeds up R&D and merger matters, adjusts the products structure; accelerates the construction of talents team, improves the professional capacity of employees, creates a positive organizational atmosphere, stimulates the innovation energy of employees; promotes outstanding performance, enhances the operation and management ability. Basing on the brand effectiveness and mature marketing network and scientific research innovation strength, the Group will try to realise a maximization in the efficiency of marketing value chain through making new products available continuously in the market and striving to innovate patterns and improve marketing ability, to ensure the achievement of strategic target of our Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, bank deposits of the Group approximately amounted to RMB2,291,905,000 (2012: RMB2,212,391,000), of which RMB2,235,932,000 (2012: RMB2,155,943,000) were denominated in RMB, others being equivalent to RMB46,109,000, RMB9,727,000 and RMB137,000 (2012: RMB56,300,000, nil and RMB148,000) were denominated in Hong Kong Dollars, Australian Dollars and United States Dollars respectively.

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

LOANS AND BANK BORROWINGS

As at 31 December 2013, the Group had bank borrowings and bills payables amounted to RMB500,000,000 (2012: nil) and RMB11,427,000 (2012: RMB19,731,000) respectively. These liabilities are repayable within one year. Bank deposits of RMB538,690,000 (2012: RMB19,860,000) were pledged to banks to secure these bank borrowings and bills payables. Hence, the Group's gearing ratio based on interest bearing debt for the year is 11.3% (2012: nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "Annual General Meeting") will be held on Friday, 30 May 2014 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") in due course.

FINAL DIVIDEND AND SPECIAL DIVIDEND

In respect of the year ended 31 December 2013, the Directors proposed that a final dividend of RMB12 cents (2012: RMB12 cents) per share and a special dividend of RMB10 cents (2012: RMB9 cents) per share will be paid on 19 June 2014, to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 10 June 2014. These dividends are subject to approval by the Shareholders at the forthcoming Annual General Meeting.

Dividends payable in cash in Hong Kong dollars will be converted from RMB at the telegraphic transfer exchange rates quoted by bank at 10:30 a.m. on 28 March 2014 (RMB1=HK1.252). Accordingly, the amount payable on 19 June 2014 will be:

Proposed dividend:	Final – RMB12 cents per share; approximately HK$0.1502 per share
	Special – RMB10 cents per share; approximately HK$0.1252 per share

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 28 May 2014 to Friday, 30 May 2014, both days inclusive, for the purpose of determining Shareholders' eligibility to attend, act and vote at the Annual General Meeting, during which period no transfer of shares will be registered. In order to determine the entitlement to attend, act and vote at the Annual General Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 27 May 2014.

The register of members will also be closed from Monday, 9 June 2014 to Tuesday, 10 June 2014, both days inclusive, for the purpose of determining Shareholders' entitlement to the proposed final dividend and special dividend, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and special dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with Computershare Hong Kong Investor Services Limited at the above address, for registration no later than 4:30 p.m. on Friday, 6 June 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2013, the Company or its subsidiaries did not purchase, sell or redeem any shares of the Company.

CORPORATE GOVERNANCE CODE

The Company has, throughout the year ended 31 December 2013, applied and complied with the principles in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules, 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 the 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 (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 any appropriate adjustments should new circumstances arise.

COMPLIANCE WITH MODEL CODE

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers as set out 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 financial year ended 31 December 2013.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2013.

PUBLICATION OF FURTHER INFORMATION

The annual report of the Company inclusive of the Directors' Report and Audited Consolidated Financial Statements for the year ended 31 December 2013 and Corporate Governance Report will be published on the Company's website (www.shineway.com.hk) and the website of the Stock Exchange (www.hkex.com.hk) on or before 23 April 2014.

APPRECIATION

The Company accomplishments are inseparable from the hard working of our staff. On behalf of the Board, I would like to extend my sincere greetings and high respect to our diligent staff for their dedication and effort.

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

Hong Kong, 28 March 2014

As at the date of this announcement, the Board comprises Mr. Li Zhenjiang (Chairman), Ms. Xin Yunxia, Mr. Li Huimin, Ms. Lee Ching Ton Brandelyn and Dr. Wang Zheng Pin as executive Directors; Mr. Hung Randy King Kuen, Ms. Cheng Li and Mr. Sun Liutai as independent non-executive Directors.