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 2014

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2014, the operating results of the Group were as follows:

– Turnover reached RMB1,099,354,000, an increase of 3.8% from the corresponding period of last year;

– Gross profit margin was 65.9% as compared to 66.7% of the corresponding period of last year;

– Profit for the period amounted to RMB404,929,000, an increase of 5.1% over the corresponding period of last year;

– Earnings per share amounted to RMB49 cents; and

– 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 2014 with comparative figures for the six months ended 30 June 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
		RMB'000	*RMB'000*
	NOTES	**(Unaudited)**	(Unaudited)
Turnover	*3*	**1,099,354**	1,059,293
Cost of sales		**(375,036)**	(352,667)
Gross profit		**724,318**	706,626
Other income		**23,042**	38,730
Investment income		**66,839**	39,375
Net exchange loss		**(3,495)**	(538)
Selling and distribution costs		**(174,356)**	(191,950)
Administrative expenses		**(121,829)**	(107,751)
Research and development costs		**(21,536)**	(26,757)
Share of profit of an associate		**–**	232
Finance costs	*4*	**(9,989)**	–
Profit before taxation		**482,994**	457,967
Taxation	*5*	**(78,065)**	(72,566)
Profit and total comprehensive income for the period	*6*	**404,929**	385,401
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**404,928**	385,459
Non-controlling interests		**1**	(58)
		404,929	385,401
Earnings per share – basic	*8*	**RMB49 cents**	RMB47 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	NOTES	**30.6.2014** *RMB'000* **(Unaudited)**	31.12.2013 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*9*	**1,649,012**	1,599,242
Prepaid lease payments	*10*	**143,796**	144,216
Intangible assets		**24,638**	518
Goodwill		**99,654**	91,663
Deferred tax assets		**24,856**	25,439
		1,941,956	1,861,078
Current assets			
Inventories		**249,344**	244,484
Trade receivables	*11*	**17,968**	10,105
Bills receivables	*11*	**422,365**	669,941
Prepayments, deposits and other receivables		**100,293**	122,091
Pledged bank deposits		**759,048**	538,690
Bank balances and cash		**2,573,490**	2,291,905
		4,122,508	3,877,216
Current liabilities			
Trade payables	*12*	**184,992**	208,152
Bills payables	*12*	**19,971**	11,427
Other payables and accrued expenses		**313,752**	418,455
Amounts due to related companies		**13,695**	11,330
Deferred income		**4,688**	1,140
Tax liabilities		**50,560**	29,496
Bank borrowings	*13*	**700,000**	500,000
		1,287,658	1,180,000
Net current assets		**2,834,850**	2,697,216
Total assets less current liabilities		**4,776,806**	4,558,294
Non-current liabilities			
Deferred tax liabilities		**6,978**	28,802
Deferred income		**98,150**	99,876
		105,128	128,678
		4,671,678	4,429,616
Capital and reserves			
Share capital	*14*	**87,662**	87,662
Reserves		**4,583,493**	4,341,432
Equity attributable to owners of the Company		**4,671,155**	4,429,094
Non-controlling interests		**523**	522
		4,671,678	4,429,616

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 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 2014 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2013.

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 IFRS 10, IFRS 12 and IAS 27	Investment entities
Amendments to IAS 32	Offsetting financial assets and financial liabilities
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting
IFRIC – INT 21	Levies

The application of the above new Interpretation and amendments to IFRSs in the 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.

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. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interests on bank borrowings wholly repayable within one year	**9,989**	–

5. TAXATION

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**78,934**	71,055
Overprovision in prior years	**(1,265)**	(5,257)
	77,669	65,798
Deferred tax:		
Current year	**396**	(732)
Withholding tax on undistributed profits	**–**	7,500
	396	6,768
	78,065	72,566

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 RMB2,622,457,000 (31.12.2013: RMB2,193,071,000) 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.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	**731**	110
Amortisation of prepaid lease payments	**1,814**	1,816
Depreciation of property, plant and equipment	**64,631**	48,373
Government subsidies (included in other income) *(Note a)*	**(19,878)**	(38,509)
Interest income from bank deposits (included in investment income)	**(27,254)**	(24,852)
Investment income from debt related products *(Note b)*	**–**	(3,353)
Investment income from short-term debt related products *(Note c)*	**(39,585)**	(11,170)
Loss on disposal of property, plant and equipment	**240**	38
Share-based payment expense	**19,073**	–

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) RMB18,100,000 (2013: RMB36,009,000) represent incentives received in relation to carrying out business operations in relevant regions in the PRC; and (b) RMB1,778,000 (2013: RMB2,500,000) represent recognition of deferred income upon completion of related research activities.

(b) These debt related products were entered and matured during the six months ended 30 June 2013 with effective interest rate ranged from 4.6% to 5.1% per annum. No debt related products were entered during six months ended 30 June 2014.

(c) These short-term debt related products carried effective interest rate ranged from 5.5% to 6.6% (2013: 4.9% to 5.0%) 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.

7. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends		
– 2013 final dividend of RMB12 cents (2012: RMB12 cents) per share paid	**99,240**	99,240
– 2013 special dividend of RMB10 cents (2012: RMB9 cents) per share paid	**82,700**	74,430
	181,940	173,670
– 2014 interim dividend of RMB11 cents (2013: 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 29 August 2014, and will be paid on 31 October 2014, to the shareholders of the Company whose names appear in the Company's register of members on 17 October 2014.

8. 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	
	2014	2013
	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	**404,928**	385,459

	Six months ended 30 June	
	2014	2013
Number of ordinary shares for the purpose of basic earnings per share	**827,000,000**	827,000,000

The computation of diluted earnings per share for the period ended 30 June 2014 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 price of those shares for the outstanding period during the period ended 30 June 2014.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired buildings at a cost of RMB833,000 (for six months ended 30 June 2013: RMB5,738,000), plant and machinery of RMB55,249,000 (for six months ended 30 June 2013: RMB27,331,000), office equipment of RMB1,433,000 (for six months ended 30 June 2013: RMB8,235,000), motor vehicles of RMB244,000 (for six months ended 30 June 2013: RMB7,000) and made additions to construction in progress of RMB53,036,000 (for six months ended 30 June 2013: RMB139,454,000).

10. PREPAID LEASE PAYMENTS

	30.6.2014	31.12.2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of the period/year	**147,849**	151,482
Acquisition of a subsidiary *(note 16)*	**1,262**	–
Expense for the period/year	**(1,814)**	(3,633)
At end of the period/year	**147,297**	147,849
Medium-term leasehold land in the PRC		
Current portion (included in other receivables)	**3,501**	3,633
Non-current portion	**143,796**	144,216
	147,297	147,849

11. TRADE AND BILLS RECEIVABLES

	30.6.2014	31.12.2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**17,968**	10,105
Bills receivables	**422,365**	669,941
	440,333	680,046

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:

	30.6.2014	31.12.2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**440,333**	679,992
Over 6 months but less than 1 year	**–**	54
	440,333	680,046

12. TRADE AND BILLS PAYABLES

	30.6.2014	31.12.2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**184,992**	208,152
Bills payables	**19,971**	11,427
	204,963	219,579

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

	30.6.2014	31.12.2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**191,273**	206,540
Over 6 months but less than 1 year	**5,918**	1,904
Over 1 year but less than 2 years	**2,978**	4,279
Over 2 years	**4,794**	6,856
	204,963	219,579

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.

13. BANK BORROWINGS

During the current interim period, the Group obtained a new bank loan amounting to RMB200,000,000 (for six months ended 30 June 2013: Nil) and repaid bank loans of RMB15,000,000 (for six months ended 30 June 2013: Nil). The proceeds were used to finance the general working capital of the Group. The loans carry interest at fixed market rate of 2.85% per annum and are repayable within one year. At the end of the reporting period, the Group has pledged certain pledged bank deposits of RMB738,000,000 (31.12.2013: RMB527,000,000) to a bank to secure the bank borrowings granted to the Group.

14. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
Balance at 1 January 2013, 31 December 2013 and 30 June 2014	5,000,000	500,000
Issued and fully paid:		
Balance at 1 January 2013, 31 December 2013 and 30 June 2014	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.

15. 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.

16. ACQUISITION OF A SUBSIDIARY

In March 2014, the Group acquired 100% equity interest in 神威藥業集團(山東)有限公司 (formerly known as 濟南全力製藥有限公司) ("Shineway Shandong"), which is engaged in the manufacturing and trading of pharmaceutical products and related business in the PRC, at an aggregate consideration of RMB8,000,000. This transaction has been accounted for using the acquisition method.

The net identifiable assets of the subsidiary acquired are as follows:

	Amount recognised at the date of acquisition
	RMB'000
Property, plant and equipment	3,852
Prepaid lease payments	1,262
Intangible asset	24,851
Inventories	208
Bank balances and cash	49
Other payables	(9,000)
Bank borrowings	(15,000)
Deferred tax liabilities	(6,213)
	9
Consideration transferred	8,000
Less: Net assets acquired	(9)
Goodwill arising on acquisition	7,991

Goodwill arose on the acquisition of Shineway Shandong because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Shineway Shandong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

	RMB'000
Net cash outflow arising on acquisition:	
Cash consideration	(8,000)
Amount unpaid and included in other payables	3,000
Bank balances and cash acquired	49
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiary	(4,951)

During the period, Shineway Shangdong contributed RMB551,000 to the Group's turnover and made a profit of RMB33,000 for the period between the date of acquisition and the end of the reporting period.

Had the acquisition of Shineway Shandong been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2014 would have been RMB1,100,193,000, and the amount of the profit for the interim period would have been RMB404,360,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

17. 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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Rental expenses paid to Shineway Medical Science & Technology Co., Ltd. ("Shineway Medical") *(Note)*	**1,736**	1,736
Rental expenses paid to Shineway Medical Science & Technology (Lang Fang) Co., Ltd. ("Shineway Lang Fang") *(Note)*	**465**	465
Service fee to Shineway Medical *(Note)*	**3,985**	3,645
Service fee to Shineway Lang Fang *(Note)*	**1,148**	1,063

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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**3,222**	2,808
Post-employment benefits	**36**	30
	3,258	2,838

18. COMMITMENTS

(a) Operating lease commitments

At 30 June 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30.6.2014 *RMB'000* (Unaudited)	31.12.2013 *RMB'000* (Audited)
Within one year	**4,571**	6,648
In the second to fifth year inclusive	**2,527**	4,053
	7,098	10,701

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:

	30.6.2014 *RMB'000* (Unaudited)	31.12.2013 *RMB'000* (Audited)
Within one year	**2,067**	4,133

(b) Capital commitments

At 30 June 2014, capital expenditure of RMB326,138,000 (31.12.2013: RMB390,988,200) 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 2014, the Group recorded a turnover of RMB1,099,354,000, an increase of 3.8% 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	RMB627,783,000	57.1%	0.4%
Soft Capsules	RMB248,734,000	22.6%	7.1%
Granules	RMB183,449,000	16.7%	11.1%
Other product formats	RMB39,388,000	3.6%	7.1%

The Group's profit attributable to owners of the Company for the period ended 30 June 2014 is RMB404,928,000 representing an increase of 5.1% 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 2014, the Group sold RMB627,783,000 of injection products, representing a rise of 0.4% from the same period of last year. For the first six months of 2014, injection products accounted for 57.1% of the Group's total turnover as compared to 59.0% for the same period of last year. In the first half of 2014, sales of injection products recorded an increase. This was mainly attributable to the increase in sales of Qing Kai Ling Injection, Shu Xie Ning Injection and Dan Shen Injection.

Soft Capsule Products

For the first six months of 2014, the Group recorded RMB248,734,000 on sales of soft capsule products, elevated by 7.1% from the same period of last year. This was mainly due to the sales of Huo Xiang Zheng Qi Soft Capsule, Qing Kai Ling Soft Capsule and Compound Trivitamin and Linolic Acid Soft Capsules I recorded increase as compared to the same period of last year.

Soft capsule products accounted for 22.6% of the Group's turnover for the first six months of 2014, as compared to 21.9% 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 2014 had increased by 11.1% as compared to the same period of last year, amounting RMB183,449,000. This was mainly resulted from the sales increase of Pediatric Qing Fei Hua Tan Granule and Huamoyan Granule.

Granule products accounted for 16.7% of the Group's turnover for the first six months of 2014 as compared to 15.6% of the same period of 2013. 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 2014 had increased by 7.1% as compared to the same period of last year, amounted to RMB39,388,000. The increase was mainly attributable to the increase in sales of our tablet and ointment products as compared to the same period last year.

PROSPECT

In recent years, medical industry grew steadily, following the extension of medical reform, the coverage of medical insurance expanded 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.

Official 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 is 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 30 June 2014, bank deposits of the Group, amounting to RMB2,573,490,000 (31 December 2013: RMB2,291,905,000) which comprised of RMB2,505,921,000 (31 December 2013: RMB2,235,932,000), were denominated in Renminbi. Others, being equivalent to RMB56,754,000, RMB10,684,000 and RMB131,000 (31 December 2013: RMB46,109,000, RMB9,727,000 and RMB137,000), were denominated in Hong Kong dollars, Australian dollars and United States dollars respectively.

During the first six months in 2014, the Group did not entered into any derivative instrument investments.

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

ACQUISITION OF A SUBSIDIARY

In March 2014, the Group acquired 100% equity interest of Shineway Pharmaceutical Group (Shandong) Company Limited (formerly known as Jinan Quanli Pharmaceutical Company Limited) at an aggregate consideration of RMB8,000,000 and since then it became a subsidiary of the Group. This subsidiary was incorporated in PRC with principal activities in manufacturing and trading of medicine.

INTANGIBLE ASSETS

Intangible assets represent patents and production licenses with finite useful lives. Intangible assets balance as at 30 June 2014 increased by 46.6 times to RMB24,638,000 from 31 December 2013, such increase was mainly attributable to the addition of drugs production licenses via acquisition of Shineway Pharmaceutical Group (Shandong) Company Limited (formerly known as Jinan Quanli Pharmaceutical Company Limited) in 2014.

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 2014 and are calculated on the basis of 827,000,000 shares issued as at 29 August 2014 (for the six months ended 30 June 2013: RMB11 cents per share, amounting to approximately RMB90,970,000), which will be paid on 31 October 2014, to the shareholders whose names appear on the Company's register of members on 17 October 2014.

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 10:00 a.m. on 29 August 2014 (RMB1=HK$1.262). Accordingly, the amount payable on 31 October 2014 will be HK$0.1388 per share.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2014, 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 set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2014, 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 has adopted the full set of the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors. The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group's senior management and also persons who are privy to price sensitive information of the Group. Based on specific enquiries made by the company secretary of the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions for the six months ended 30 June 2014.

AUDIT COMMITTEE

The audit committee of the Board 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 2014.

CLOSURE OF SHARE TRANSFER REGISTRATION

The register of members of the Company will be closed from 16 October 2014 to 17 October 2014 (both days inclusive). In order to qualify for the 2014 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 15 October 2014.

INTERIM REPORT

The interim report of 2014 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, 29 August 2014

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, Ms. Cheng Li and Mr. Sun Liutai as independent non-executive directors.