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 2015

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2015, the operating results of the Group were as follows:

– Turnover reached RMB1,109,306,000, an increase of 0.9% from the corresponding period of last year;

– Gross profit margin was 65.8% as compared to 65.9% of the corresponding period of last year;

– Profit for the period amounted to RMB385,622,000, a decrease of 4.8% over the corresponding period of last year;

– Earnings per share amounted to RMB47 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 2015 with comparative figures for the six months ended 30 June 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		RMB'000	*RMB'000*
	NOTES	**(Unaudited)**	(Unaudited)
Turnover	*3*	**1,109,306**	1,099,354
Cost of sales		**(379,613)**	(375,036)
Gross profit		**729,693**	724,318
Other income		**18,300**	23,042
Investment income		**53,304**	66,839
Net exchange loss		**(4,319)**	(3,495)
Selling and distribution costs		**(167,193)**	(174,356)
Administrative expenses		**(136,705)**	(121,829)
Research and development costs		**(19,017)**	(21,536)
Finance costs	*4*	**(61)**	(9,989)
Profit before taxation		**474,002**	482,994
Taxation	*5*	**(88,380)**	(78,065)
Profit and total comprehensive income for the period	*6*	**385,622**	404,929
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**385,493**	404,928
Non-controlling interests		**129**	1
		385,622	404,929
Earnings per share – basic	*8*	**RMB47 cents**	RMB49 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015

	NOTES	**30.6.2015** ***RMB'000*** **(Unaudited)**	31.12.2014 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*9*	**1,536,982**	1,574,725
Prepaid lease payments	*10*	**154,455**	141,808
Intangible assets		**22,033**	23,286
Goodwill		**99,654**	99,654
Deposit for acquisition of a subsidiary		**30,000**	30,000
Deposit for acquisition of intangible assets		**70,000**	64,000
Deferred tax assets		**23,440**	24,116
		1,936,564	1,957,589
Current assets			
Inventories		**312,959**	285,672
Trade receivables	*11*	**33,793**	12,933
Bills receivables	*11*	**418,226**	580,884
Prepayments, deposits and other receivables		**112,355**	141,688
Pledged bank deposits		**26,720**	240,410
Tax recoverable		**344**	–
Amount due from a related company		**85**	–
Bank balances and cash		**2,954,075**	2,688,148
		3,858,557	3,949,735
Current liabilities			
Trade payables	*12*	**196,626**	174,006
Bills payables	*12*	**25,639**	28,481
Other payables and accrued expenses		**319,633**	439,356
Amounts due to related companies		**6,912**	7,062
Deferred income		**5,881**	4,630
Tax liabilities		**24,320**	32,450
Bank borrowings	*13*	**–**	200,000
		579,011	885,985
Net current assets		**3,279,546**	3,063,750
Total assets less current liabilities		**5,216,110**	5,021,339
Non-current liabilities			
Deferred tax liabilities		**10,352**	23,638
Deferred income		**99,187**	104,793
		109,539	128,431
		5,106,571	4,892,908
Capital and reserves			
Share capital	*14*	**87,662**	87,662
Reserves		**5,018,909**	4,804,809
Equity attributable to owners of the Company		**5,106,571**	4,892,471
Non-controlling interests		**–**	437
		5,106,571	4,892,908

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

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 2010 - 2012 cycle
Amendments to IFRSs	Annual improvements to IFRSs 2011 - 2013 cycle
Amendments to IAS 19	Defined benefit plans: Employee contributions

The application of the above 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 is regarded as a single segment, being an enterprise engaged in research and development, manufacturing 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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interests on bank borrowings wholly repayable within one year	**61**	9,989

5. TAXATION

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
People's Republic of China (the "PRC") Enterprise Income Tax	**70,541**	78,934
Under(over) provision in prior years	**4,949**	(1,265)
Withholding tax paid on distributed profits	**25,500**	27,850
	100,990	105,519
Deferred tax:		
Current year	**390**	396
Withholding tax on undistributed profits	**(13,000)**	(27,850)
	(12,610)	(27,454)
	88,380	78,065

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%.

A subsidiary which is operating in Western China has been granted tax concession by the local tax bureau and is entitled to PRC EIT at concessionary rate of 9% for the period (2014: 15%). The tax concession granted to that subsidiary operating in Western China will expire in 2017. Certain subsidiaries which are 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 recognised as High and New-tech Enterprise will expire at the end of 2015. In addition, a subsidiary which is operating in agricultural products business has been granted tax exemption by the local tax bureau.

5. TAXATION (Continued)

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 RMB2,886,372,000 (31.12.2014: RMB2,836,099,000) 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 be reversed in the foreseeable future.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	**1,253**	731
Amortisation of prepaid lease payments	**1,853**	1,814
Depreciation of property, plant and equipment	**73,137**	64,631
Government subsidies (included in other income) *(Note a)*	**(13,335)**	(19,878)
Interest income from bank deposits (included in investment income)	**(21,844)**	(27,254)
Investment income from debt related products *(Note b)*	**(7,633)**	–
Investment income from short-term debt related products *(Note c)*	**(23,827)**	(39,585)
(Gain) loss on disposal of property, plant and equipment	**(2,697)**	240
Share-based payment expense	**10,581**	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) RMB7,539,000 (2014: RMB18,100,000) represent incentives received in relation to carrying out business operations in relevant regions in the PRC; and (b) RMB5,796,000 (2014: RMB1,778,000) 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 2015 with effective interest rate ranged from 5.3% to 5.4% per annum. No debt related products were entered during the six months ended 30 June 2014.

(c) These short-term debt related products carried effective interest rate ranged from 5.4% to 5.6% (2014: 5.5% to 6.6%) 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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends		
– 2014 final dividend of RMB12 cents (2014: 2013 final dividend of RMB12 cents) per share paid	**99,240**	99,240
– 2014 special dividend of RMB10 cents (2014: 2013 special dividend of RMB10 cents) per share paid	**82,700**	82,700
	181,940	181,940
– 2015 interim dividend of RMB11 cents (2014: 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 28 August 2015, and will be paid on 30 October 2015, to the shareholders of the Company whose names appear in the Company's register of members on 16 October 2015.

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	
	2015	2014
	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	**385,493**	404,928

	Six months ended 30 June	
	2015	2014
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 2015 and 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 2015 and 2014.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired buildings at a cost of RMB588,000 (for the six months ended 30 June 2014: RMB833,000), plant and machinery of RMB5,953,000 (for the six months ended 30 June 2014: RMB55,249,000), office equipment of RMB3,136,000 (for the six months ended 30 June 2014: RMB1,433,000), motor vehicles of RMB239,000 (for the six months ended 30 June 2014: RMB244,000) and made additions to construction in progress of RMB27,568,000 (for the six months ended 30 June 2014: RMB53,036,000).

10. PREPAID LEASE PAYMENTS

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of the period/year	**145,466**	147,849
Addition during the period/year	**14,792**	–
Acquisition of a subsidiary *(note 16)*	**–**	1,262
Expense for the period/year	**(1,853)**	(3,645)
At end of the period/year	**158,405**	145,466
Medium-term leasehold land in the PRC		
Current portion (included in other receivables)	**3,950**	3,658
Non-current portion	**154,455**	141,808
	158,405	145,466

11. TRADE AND BILLS RECEIVABLES

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**33,793**	12,933
Bills receivables	**418,226**	580,884
	452,019	593,817

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:

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**452,019**	593,817

12. TRADE AND BILLS PAYABLES

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**196,626**	174,006
Bills payables	**25,639**	28,481
	222,265	202,487

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

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**211,020**	193,669
Over 6 months but less than 1 year	**4,782**	1,866
Over 1 year but less than 2 years	**902**	2,465
Over 2 years	**5,561**	4,487
	222,265	202,487

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, no bank loan was obtained by the Group (for the six months ended 30 June 2014: RMB200,000,000) and the Group repaid a bank loan of RMB200,000,000 (for the six months ended 30 June 2014: RMB15,000,000). At 31 December 2014, the Group pledged certain bank deposits of RMB211,000,000 to a bank to secure the bank borrowings granted to the Group (30.6.2015: nil).

14. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
Balance at 1 January 2014, 31 December 2014 and 30 June 2015	5,000,000	500,000
Issued and fully paid:		
Balance at 1 January 2014, 31 December 2014 and 30 June 2015	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 Shineway Pharmaceutical Group (Shandong) Company Limited 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.

16. ACQUISITION OF A SUBSIDIARY (Continued)

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 six months ended 30 June 2014, Shineway Shandong 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.

16. ACQUISITION OF A SUBSIDIARY (Continued)

Had the acquisition of Shineway Shandong been effected on 1 January 2014, 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 consolidated financial statements, the Group had the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Rental expenses paid to Shineway Medical Science & Technology Co., Ltd. ("Shineway Medical") *(Note)*	**1,790**	1,736
Rental expenses paid to Shineway Medical Science & Technology (Lang Fang) Co., Ltd. ("Shineway Lang Fang") *(Note)*	**506**	465
Service fee to Shineway Medical *(Note)*	**4,169**	3,985
Service fee to Shineway Lang Fang *(Note)*	**1,198**	1,148
Sale of Chinese pharmaceutical products to Hebei Shineway Chain Drugstores Co., Ltd. ("Shineway Drugstores") *(Note)*	**8,701**	–

Note: Shineway Medical, Shineway Lang Fang and Shineway Drugstores 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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**7,272**	3,222
Post-employment benefits	**45**	36
	7,317	3,258

18. COMMITMENTS

(a) Operating lease commitments

At 30 June 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**6,720**	2,045
In the second to fifth year inclusive	**7,450**	1,348
	14,170	3,393

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:

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**4,592**	–
In the second to fifth year inclusive	**6,889**	–
	11,481	–

(b) Capital commitments

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements		
– in respect of acquisition of property, plant and equipment	**169,017**	266,228
– in respect of acquisition of intangible assets	**84,000**	90,000

BUSINESS REVIEW

For the six months ended 30 June 2015, the Group recorded a turnover of RMB1,109,306,000, an increase of 0.9% 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	RMB622,126,000	56.1%	-0.9%
Soft Capsules	RMB253,800,000	22.9%	2.0%
Granules	RMB193,415,000	17.4%	5.4%
Other product formats	RMB39,965,000	3.6%	1.5%

The Group's profit attributable to owners of the Company for the period ended 30 June 2015 is RMB385,493,000 representing a decrease of 4.8% as compared to the corresponding period of last year. The decline in profit was mainly attributable to the price adjustment of products and increase in expenses.

Injection Products

For the first six months of 2015, the Group sold RMB622,126,000 of injection products, representing a decline of 0.9% from the same period of last year. For the first six months of 2015, injection products accounted for 56.1% of the Group's total turnover as compared to 57.1% for the same period of last year. In the first half of 2015, sales of injection products recorded a decrease. This was mainly attributable to the decline in sales of Qing Kai Ling Injection and Shen Mai Injection.

Soft Capsule Products

For the first six months of 2015, the Group recorded RMB253,800,000 on sales of soft capsule products, elevated by 2.0% from the same period of last year. This was mainly due to the sales of Huo Xiang Zheng Qi Soft Capsule recorded increase as compared to the same period of last year.

Soft capsule products accounted for 22.9% of the Group's turnover for the first six months of 2015, as compared to 22.6% 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 2015 had increased by 5.4% as compared to the same period of last year, amounting RMB193,415,000. This was mainly resulted from the sales increase of Pediatric Paracetamol Artificial Cow-bezoar and Chlorphenamine Maleate Granule and Huamoyan Granule.

Granule products accounted for 17.4% of the Group's turnover for the first six months of 2015 as compared to 16.7% of the same period of 2014. 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 2015 had increased by 1.5% as compared to the same period of last year, amounted to RMB39,965,000. The increase was mainly attributable to the increase in sales of hard capsule 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, the medicine quality standard system and management were improved constantly, and the relevant medical reform policies issued by the State Council accelerated the development of health service industry, all these indicated a prosperous future of the medical industry 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, bank deposits of the Group, amounting to RMB2,954,075,000 (31 December 2014: RMB2,688,148,000) which comprised of RMB2,900,239,000 (31 December 2014: RMB2,644,326,000), were denominated in Renminbi. Others, being equivalent to RMB44,867,000, RMB8,829,000 and RMB140,000 (31 December 2014: RMB34,239,000, RMB9,443,000 and RMB140,000), were denominated in Hong Kong dollars, Australian dollars and United States dollars respectively.

During the first six months in 2015, 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.

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 2015 and are calculated on the basis of 827,000,000 shares issued as at 28 August 2015 (for the six months ended 30 June 2014: RMB11 cents per share, amounting to RMB90,970,000), which will be paid on 30 October 2015, to the shareholders whose names appear on the Company's register of members on 16 October 2015.

The above interim dividend will be payable in cash in Hong Kong dollars and will be converted from RMB at the telegraphic transfer exchange rates quoted by bank at 10:00 a.m. on 28 August 2015 (RMB1=HK$1.2125). Accordingly, the amount payable on 30 October 2015 will be HK$0.1334 per share.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2015, 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 Listing Rules during the six months ended 30 June 2015, 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 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 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 any appropriate adjustments should new circumstances arise.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors on terms no less exacting than those set out in the Model Code. 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. Having made specific enquiry, all Directors confirmed that they had complied with the required standard set out in the Model Code regarding Directors' securities transactions for the six months ended 30 June 2015.

AUDIT COMMITTEE

The audit committee of the Company 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 2015.

CLOSURE OF SHARE TRANSFER REGISTRATION

The register of members of the Company will be closed from 15 October 2015 to 16 October 2015 (both days inclusive). In order to qualify for the 2015 interim dividend, 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 Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 14 October 2015.

INTERIM REPORT

The interim report of 2015 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, 28 August 2015

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