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 2015

HIGHLIGHTS

- Turnover decreased by 7.8% from last year to RMB2,054,809,000.
- Profit for the year decreased by 6.7% from last year to RMB657,715,000.
- Profit for the year decreased mainly attributable to the decrease in turnover and operating profit.
- Basic and diluted earnings per share were RMB0.80.
- Recommended final dividend of RMB12 per share and special dividend of RMB9 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 2015 with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015**	2014
		RMB'000	*RMB'000*
Turnover	*3*	**2,054,809**	2,229,201
Cost of sales		**(693,890)**	(751,198)
Gross profit		**1,360,919**	1,478,003
Other income		**83,780**	55,161
Investment income	*4*	**97,410**	129,703
Net exchange gain (loss)		**1,848**	(4,790)
Distribution costs		**(375,492)**	(411,658)
Administrative expenses		**(302,307)**	(285,403)
Research and development costs		**(68,932)**	(80,419)
Finance costs	*5*	**(61)**	(16,861)
Profit before taxation		**797,165**	863,736
Taxation	*6*	**(139,450)**	(159,046)
Profit and total comprehensive income for the year	*7*	**657,715**	704,690
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**657,906**	704,775
Non-controlling interests		**(191)**	(85)
		657,715	704,690
Earnings per share	*8*		
– Basic		**80 cents**	85 cents
– Diluted		**80 cents**	85 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		**1,529,020**	1,574,725
Prepaid lease payments		**154,495**	141,808
Intangible assets		**388,744**	23,286
Goodwill		**159,291**	99,654
Deposit for acquisition of a subsidiary		**–**	42,000
Deposits for acquisition of intangible assets		**58,000**	52,000
Deferred tax assets	*10*	**23,061**	24,116
		2,312,611	1,957,589
Current assets			
Inventories		**340,858**	285,672
Trade receivables	*11*	**31,046**	12,933
Bills receivables	*11*	**426,277**	580,884
Prepayments, deposits and other receivables		**170,901**	141,688
Amount due from a related company		**1,943**	–
Pledged bank deposits		**43,247**	240,410
Bank balances and cash		**2,826,219**	2,688,148
		3,840,491	3,949,735
Current liabilities			
Trade payables	*12*	**180,879**	174,006
Bills payables	*12*	**43,247**	28,481
Other payables and accrued expenses		**452,065**	439,356
Amounts due to related companies		**3,292**	7,062
Deferred income	*13*	**4,648**	4,630
Tax liabilities		**17,477**	32,450
Bank borrowing		**–**	200,000
		701,608	885,985
Net current assets		**3,138,883**	3,063,750
Total assets less current liabilities		**5,451,494**	5,021,339
Non-current liabilities			
Deferred tax liabilities	*10*	**62,952**	23,638
Deferred income	*13*	**92,571**	104,793
		155,523	128,431
		5,295,971	4,892,908
Capital and reserves			
Share capital		**87,662**	87,662
Reserves		**5,208,309**	4,804,809
Equity attributable to owners of the Company		**5,295,971**	4,892,471
Non-controlling interests		**–**	437
		5,295,971	4,892,908

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 ("BVI") 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.

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 subsidiaries of the Company are 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 amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year.

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

The application of the amendments to 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.

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

IFRS 9	Financial instruments[1]
IFRS 14	Regulatory deferral accounts[2]
IFRS 15	Revenue from contracts with customers[1]
IFRS 16	Leases[3]
Amendments to IFRSs	Annual improvements to IFRSs 2012-2014 cycle[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception[4]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to IAS 1	Disclosure initiative[4]
Amendments to IAS 7	Disclosure initiative[6]
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses[6]
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants[4]
Amendments to IAS 27	Equity method in separate financial statements[4]

1. Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2. Effective for first annual IFRS financial statements beginning on or after 1 January 2016.
3. Effective for annual periods beginning on or after 1 January 2019.
4. Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
5. Effective for annual periods beginning on or after a date to be determined.
6. Effective for annual periods beginning on or after 1 January 2017.

IFRS 15 "Revenue from contracts with customers"

In July 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i. e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 "Leases"

IFRS 16 was issued on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces all existing lease accounting requirements and represents a significant change in the accounting and reporting of leases, with more assets and liabilities to be reported on the consolidated statement of financial position and a different recognition of lease costs. The directors of the Company are in the process to assess the impact of IFRS 16 on the Group's consolidated financial statements.

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 ("CODM"), 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 CODM. 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:

	2015	2014
	RMB'000	*RMB'000*
Injections	**1,166,627**	1,347,450
Soft capsules	**410,470**	446,130
Granules	**392,850**	357,202
Others	**84,862**	78,419
	2,054,809	2,229,201

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 2015 and 2014, there was no customer with turnover accounted for more than 10% of the Group's total turnover.

4. INVESTMENT INCOME

	2015	2014
	RMB'000	*RMB'000*
Interest on bank deposits	**52,254**	54,678
Investment income from debt related products	**7,633**	–
Investment income from short-term debt related products	**37,523**	75,025
	97,410	129,703

5. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on bank borrowings	**61**	16,861

6. TAXATION

	2015	2014
	RMB'000	*RMB'000*
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax	**122,864**	143,112
Under(over)provision in prior years	**5,161**	(1,862)
Withholding tax on distributed profits	**29,500**	27,850
	157,525	169,100
Deferred tax *(note 10)*:		
Current year	**(1,075)**	796
Withholding tax on undistributed profits	**(17,000)**	(10,850)
	(18,075)	(10,054)
	139,450	159,046

Hong Kong Profits Tax is calculated at 16.5% (2014: 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%.

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 year (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 in 2017. In addition, a subsidiary which is operating in agricultural products business has been granted tax exemption by the local tax bureau.

Under the applicable corporate tax law in Australia, income tax is charged at 30% of the estimated assessable profits. No provision for Australian income tax has been made in the consolidated financial statements as the subsidiary operating in Australia has no assessable profits for both years.

7. PROFIT FOR THE YEAR

	2015	2014
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**15,041**	42,367
Other staff costs	**265,677**	207,918
Other staff's pension costs	**51,897**	40,250
Share-based payments expense for other staff	**14,818**	25,759
	347,433	316,294
Amortisation of intangible assets	**12,185**	2,083
Amortisation of prepaid lease payments	**3,860**	3,645
Auditor's remuneration	**1,660**	1,546
Depreciation of property, plant and equipment	**150,258**	142,239
(Gain) loss on disposal of property, plant and equipment	**(1,517)**	252
Rental expenses under operating lease in respect of rented premises	**7,110**	5,447
Government subsidies (included in other income) *(Note)*	**(75,258)**	(49,412)

Note: The government subsidies represent the amounts received from the local government by the subsidiaries of the Company. In 2015, government subsidies of (a) RMB44,716,000 (2014: RMB45,709,000) represent incentives received in relation to carrying out business operations in relevant regions in the PRC; and (b) RMB30,542,000 (2014: RMB3,703,000) represent recognition of deferred income upon completion of related research activities.

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:

	2015	2014
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**657,906**	704,775

	Number of ordinary shares	
	2015	2014
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 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 prices of those shares for the outstanding period during the year ended 31 December 2015 and 2014.

9. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Dividends recognised as distributions during the year:		
Final dividend paid for 2014 of RMB12 cents (2013: RMB12 cents) per share	**99,240**	99,240
Special dividend paid for 2014 of RMB10 cents (2013: RMB10 cents) per share	**82,700**	82,700
Interim dividend paid for 2015 of RMB11 cents (2014: RMB11 cents) per share	**90,970**	90,970
	272,910	272,910
Dividends proposed:		
Proposed final dividend of RMB12 cents (2014: RMB12 cents) per share	**99,240**	99,240
Proposed special dividend of RMB9 cents (2014: RMB10 cents) per share	**74,430**	82,700
	173,670	181,940

The final dividend of RMB12 cents per share and special dividend of RMB9 cents per share, totalling RMB21 cents, have been proposed by the directors and is subject to approval by the shareholders in the annual 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:

	2015	2014
	RMB'000	*RMB'000*
Deferred tax assets	**23,061**	24,116
Deferred tax liabilities	**(62,952)**	(23,638)
	(39,891)	478

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

	Accelerated tax depreciation *RMB'000*	**Deferred income** *RMB'000*	**Others** *RMB'000*	**Fair value adjustment arising from acquisition of subsidiaries** *RMB'000*	**Total** *RMB'000*
At 1 January 2014	5,171	18,667	(27,201)	–	(3,363)
Acquisition of a subsidiary	–	–	–	(6,213)	(6,213)
(Charge) credit to profit or loss	(146)	(856)	10,591	465	10,054
At 31 December 2014	5,025	17,811	(16,610)	(5,748)	478
Acquisition of subsidiaries	–	–	–	(58,444)	(58,444)
(Charge) credit to profit or loss	(201)	(933)	17,081	2,128	18,075
At 31 December 2015	4,824	16,878	471	(62,064)	(39,891)

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 RMB167,344,000 (2014: RMB140,710,000) 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. Included in the unrecognised tax losses are losses of RMB67,928,000 (2014: RMB42,276,000) that will expire in 5 years (2014: 5 years). Other 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 RMB3,333,562,000 (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 reverse in the foreseeable future.

11. TRADE AND BILLS RECEIVABLES

	2015 ***RMB'000***	2014 *RMB'000*
Trade receivables	**31,046**	13,057
Less: Allowance for doubtful debts	**–**	(124)
	31,046	12,933
Bills receivables	**426,277**	580,884
	457,323	593,817

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.

	2015	2014
	RMB'000	*RMB'000*
Within 6 months	**456,704**	593,817
Over 6 months but less than 1 year	**619**	–
	457,323	593,817

12. TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**180,879**	174,006
Bills payables	**43,247**	28,481
	224,126	202,487

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

	2015	2014
	RMB'000	*RMB'000*
Within 6 months	**211,678**	193,669
Over 6 months but less than 1 year	**1,131**	1,866
Over 1 year but less than 2 years	**4,055**	2,465
Over 2 years	**7,262**	4,487
	224,126	202,487

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

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**109,423**	101,016
Addition during the year	**16,338**	12,110
Acquisition of subsidiaries	**2,000**	–
Recognised as other income	**(30,542)**	(3,703)
At 31 December	**97,219**	109,423
Analysed for reporting purpose as		
Current liabilities	**4,648**	4,630
Non-current liabilities	**92,571**	104,793
	97,219	109,423

Included in the deferred income at 31 December 2015 are government subsidies amounting to RMB29,708,000 (2014: RMB38,179,000) 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 RMB16,338,000 (2014: RMB12,110,000) government subsidies in relation to research and development expenses and recognised RMB26,809,000 (2014: RMB281,000) in profit or loss as the related researches are successfully completed.

At 31 December 2015, the deferred income included a government subsidy amounting to RMB67,511,000 (2014: RMB71,244,000) received in 2011 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. The development project was completed in 2014 and deferred income has been amortised and recognised as other income in profit or loss over the useful lives of the related assets. Deferred income amounting to RMB3,733,000 (2014: RMB3,422,000) is transferred to profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Under the influences of the environmental policies such as the continued steady growth of the pharmaceutical industry, the issuance of the new Essential Drug List tenders for the medicines, medicine bidding, 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 2015 to be a year during which the corporation made a solid foundation, integrated resources, constantly innovated and developed steadily.

China Shineway is rated as the National Technological Innovation Demonstration Enterprise and 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 is approved by the National Development and Reform Commission. China Shineway is awarded the Second Prize of the National Science and Technology Advancement Award (國家科技進步二等獎) in the comprehensive quality control system for traditional Chinese medicine injection and its application in Qing Kai Ling, Shu Xie Ning and Shen Mai Injections. In terms of new areas, the Group sets up the Heibei prescriptive Chinese medicine granules research center (河北省中藥配方顆粒研究中心) with the Heibei University of Chinese Medicine. Besides, the Group actively carries out the postmarketing safety re-evaluation work on material basis with Chinese medicine injection products by collectively complete the material foundation and standards elevation for a variety of Chinese medicine injections, evidence-based medical research is also being carried out step by step, in which the Shen Mai Injection was completed 30,000 cases of clinical trial, which had a positive model function of promoting the improvement of the product quality standards to align with the national standards. 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 addition, Huamoyan granule, Jiangzhi Tongluo Soft Capsule, Shujin Tongluo Granule and Shineway Massage Cream are included in the Chinese Pharmacopoeia (2015 version). All of the injection products of the Group have passed the new GMP certification and Shineway Pharmaceutical Sales Company Limited has passed the new GSP certification, which enhanced our enterprise brand competition. On 30 November 2015, Phase III SLT Clinical Trial was launched in Australia. SLT is an innovative component traditional Chinese medicine jointly researched by the Group, Xiyuan Hospital of China Academy of Traditional Chinese Medical Sciences (中國中醫科學院西苑醫院) and University of Western Sydney for treatment of Gerontic Vascular Dementia. It is also the first component traditional Chinese medicine of the world on which a randomized, double-blind, placebo-controlled, multi-center clinical research in line with the international standards was conducted both in China and Australia, developing a new road for traditional Chinese medicine to go abroad.

The Group recorded decline in both its turnover and profit as compared to last year. For the year 2015, the Group recorded a turnover of RMB2,054,809,000, a decline of 7.8% from previous year. Sales by product form for the year are set out as follows:

	Sales *(RMB)*	**Growth Rate**	**Product Mix**
Injections	1,166,627,000	-13.4%	56.8%
Soft Capsules	410,470,000	-8.0%	20.0%
Granules	392,850,000	10.0%	19.1%
Other product formats	84,862,000	8.2%	4.1%

The Group's profit attributable to owners of the Company for 2015 is RMB657,906,000, representing a drop of 6.7% from year 2014. The decrease in profit was mainly attributable to the decreased turnover and operating profit.

Injection Products

During 2015, the Group sold RMB1,166,627,000 of injection products, representing a drop of 13.4% from year 2014. Amongst these injection products, Qing Kai Ling injection remained the key product of the Group. Injection products accounted for 56.8% of the Group's turnover in 2015, while they contributed 60.4% of the turnover in prior year.

The Group believes that it is currently the largest Chinese medicine injections manufacturer in the PRC in terms of sales volume and production capacity. The Group's injection production capacity is approximately 3.2 billion vials per annum.

The Group positively undertakes the basic research for the medicinal materials and the re-evaluation 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 focus on academic education 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

In 2015, the Group recorded RMB410,470,000 on sales of soft capsule products, representing a drop of 8.0% from last year.

Soft capsule products accounted for 20.0% of the Group's turnover in 2015, as compared to 20.0% 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 2015 increased by 10.0%, amounted to RMB392,850,000. This was mainly attributable to the year-on-year sales increase of Pediatric Qing Fei Hua Tan Granule, Huamoyan Granule, Fen An Ka Min Granule and Pediatric Paracetamol Artifical Cow-bezoar and Chlorphenamine Maleate Granule.

Granule products accounted for 19.1% of the Group's turnover in 2015 as compared to 16.0% in 2014.

The Group has 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 2015 increased by 8.2% compared to last year, amounted to RMB84,862,000. The increase was mainly attributable to the rise in sales of Spirulina capsules, Dandeng Tongnao capsules and our ointment 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 is the major contributor to the Group's turnover, owing to the price reduction as a result of medicine bidding, its sales in 2015 decreased from last year.

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.

Qing Kai Ling Injection has been included by the Ministry of Health in the Essential Drug List in 2010. 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

Owing to the price reduction as a result of medicine bidding, sales of Shen Mai Injection in 2015 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 2015, sales of Shu Xie Ning Injection decreased compared with last year.

Shu Xie Ning Injection 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 2015, sales of Wu Fu Xin Nao Qing Soft Capsule decreased 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 and education to the end-users to broaden its sale.

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

In 2015, sales of Huo Xiang Zheng Qi Soft Capsule increased 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 2015, sales of Pediatric Qing Fei Hua Tan Granule increased 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 adjust sales strategy and utilize the synergistic advertisement effect of both internet and TV, while continue to increase advertising and joint promotional campaign with chain drug stores at the same time. It is expected the sales of our Pediatric Qing Fei Hua Tan Granule will further increase and the sales of our entire "Shen Miao" series products will be benefited by the synergistic effect of this product.

Emerging Products

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

In 2015, 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 2015, 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 2015, 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 2015, 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. Shujin Tongluo Granule has its own intellectual proprietary, due to its rigorous prescription, rational and clinical efficacy, it was awarded by the State Intellectual Property Office the "China Patent Excellence Award" this year.

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

In 2015, sales of Jiangzhi Tongluo Soft Capsule decreased 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.

New Products

Dan Deng Tong Nao Hard Capsule and Soft Capsule – for treatment of stroke caused by congestion, appropriate for treatment and recovery of ischemic infarction

This product is a nation-wide medical insurance product, with superior formula, typical material and unique material source. In the formula, salvia miltiorrhiza, as sovereign drug, is made from little purple salvia miltiorrhiza in Yunnan with erigeron breviscapus, ligusticum wallichii, arrowroot as auxiliary materials, and erigeron breviscapus is a kind of typical medicine material in Yunnan. The Group treats it as a rapid growth product in 2016.

Yiqi Tongluo Granule – for treatment of qi deficiency and blood stasis during the main and collateral channels (mild to moderate cerebral infarction) recovery period of stroke

This product is based on classic Buyanghuanwu Decoction and mainly contains medicinal materials for activating blood and dissolving stasis to enhance cerebral blood flow. The medicine was developed after years by China PLA General Hospital and the Company and examined in a systematic clinical pesticide effect study and standardized clinical trial with a definite and safe treatment effect. The Group treats it as a large-potential medicine to be developed in 2016.

RESEARCH AND DEVELOPMENT

The Group strategically established own R&D system including two major parts: internal R&D system and external R&D system. The internal R&D system set up three-level R&D system in a systematic way, while the external R&D system comprises the internal and international R&D system. Planned and organized for three years, the internal three-level R&D system of the Group has been completed.

The formation of internal three-level R&D system of the Group: the named three-level R&D system has following compositions and corresponding functions. 1) the first-level R&D system Operates with SHINEWAY Medicine Research Center as core, SHINEWAY Medicine Research Center is located at Yanjiao district of Hebei province, near to Beijing city, and its main function is to develop new medicines. 2) the second-level R&D system comprises two departments, namely technological department and medical department. This system plays a role of quality optimization and evidence-based medicine research of the listed products. Technological department is responsible for quality optimization of the listed products, including optimization of technology, quality improvement, energy conservation and waste gas emission mitigation, cost reduction, and establishment of corresponding technological platform in accordance with the production technology categories of products. Medical department is responsible for evidence-based medicine research of products including underlying evidence-based research and clinical evidence-based research, and mainly to provide the market department with evidence-based information and to assist it to develop new market. 3) the third-level R&D system represents the technician in the front line of production. This system operates by form of R&D groups with workshops as units, vice director of the workshop as headman, and technician or artisan as members. Its main function is to supervise the implementation of SOP and GMP for specific product in production, guarantee the quality of products, resolve technological difficulties in time, and report to senior organization for settlement in respect of significant problems.

In 2015, affected by the substantial adjustment of national medicine appraisal and approving policies, some projects under research went slowly to consolidate their base. Phase II SLT Clinical Trial was completed and Phase III SLT Clinical Trial was launched in Australia. Two new medicine projects obtained clinical approval, TDF project completed its process testing and another three chemical medicines went through moderate trial. The Group enhanced risk management and totally established 4 new projects. In 2015, the Group totally delivered 25 patent applications and was granted 9 patents, representing an increase compared to 2014 both in application number and granting number. The Group applied and obtained National Outstanding Patent Award, Hebei Patent Award and Shijiazhuang Patent Award, and Shujin Tongluo Granule won the Outstanding Patent Brand Cultivation (優秀專利品牌培育) project of Hebei Province. Shineway Pharmaceutical was selected by Intellectual Property Rights Bureau of Hebei Province (河北省智慧財產權局) as the Patent Leading Enterprise Development Pilot (專利導航企業發展試點). Currently, there are 26 projects under research covering traditional Chinese medicines, chemical medicines and biographical products. Research stages include pre-clinical research, clinical research, application and production research and reevaluation after listing, and treatment scope comprises heart and cerebral vessels, tumor and digestive system. In 2015, snow lotus men drinks and women drinks both have completed research work before listing, and the women drinks has successfully listed. Elderly protein powder also has listed.

PATENT APPLICATIONS

The Group continued to strengthen the protection of its intellectual property rights. During 2015, 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 52 patents for our inventions, and a total of 40 patent applications are pending for approval.

STATE PROTECTED CHINESE MEDICINES

As of 31 December 2015, 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 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.

The resent standing committee meeting of the State Council stated that learning from traditional Chinese medicine advantages and playing its special role can better benefit human health. It was determined in the meeting that a series of promotion measures would be implemented in respect of traditional Chinese medicines protection, traditional Chinese medicine talents cultivation, promotion of combining Chinese and western medicines, completion of standardized system of traditional Chinese medicines, traditional Chinese medicine service expansion and its combination with internet, investment and policy related to traditional Chinese medicines. In the meeting, the State Council decided to advance the combination of Chinese and western treatment, explore ways of expediting the development of traditional Chinese medicines through modern technologies and industrial mode, enhance traditional Chinese medicines prevention and treatment and new medicines research and development for significant and difficult diseases and chronic diseases, improve standardized system of traditional Chinese medicines and reinforce Chinese medicinal materials protection and utilization and standardized planting and breeding. The standing committee meeting of the State Council researched and discussed the Traditional Chinese Medicine Development Strategy Plan Summary (中醫藥發展戰略規劃綱要) (2016-2030), it was the first time to prepare traditional Chinese medicine development plan in national level, representing that traditional Chinese medicine development has been included in the national development strategy, which will offer better policy environment for the growth of traditional Chinese medicine industry.

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. 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.

The new version of GMP has officially implemented and causing the potential elimination of non-compliance enterprises in 2016 which 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. This will turn into the increased market share and sales in the future.

SHINEWAY focuses on the main business of modern Chinese medicine, positively copes with policy changes, strengthens the academic education and 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 2015, bank deposits of the Group amounted to approximately RMB2,826,219,000 (2014: RMB2,688,148,000), of which approximately RMB2,752,246,000 (2014: RMB2,644,326,000) were denominated in RMB, others being equivalent to approximately RMB8,122,000, RMB65,680,000 and RMB171,000 (2014: RMB34,239,000, RMB9,443,000 and RMB140,000) were denominated in Hong Kong Dollars, Australian Dollars and United States Dollars respectively.

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.

LOANS AND BANK BORROWINGS

As at 31 December 2015, the Group had bills payables amounted to RMB43,247,000 (2014: RMB28,481,000). These liabilities are repayable within one year. Bank deposits of RMB43,247,000 (2014: RMB29,410,000) were pledged to banks to secure the bills payables. Except the bills payables, the Group had no other loans and bank borrowings as at 31 December 2015.

ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired 100% equity interest of Yunnan Shineway Spirin Pharmaceutical Company Limited and Beijing Wanter Bio-pharmaceutical Company Limited at an aggregate cash consideration of RMB42,000,000 and RMB389,550,000 respectively, since then both companies became subsidiaries of the Group. These subsidiaries were 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 31 December 2015 increased by 15.7 times to RMB388,744,000 from 31 December 2014, such increase was mainly attributable to the addition of drugs production licenses via acquisition of Yunnan Shineway Spirin Pharmaceutical Company Limited and Beijing Wanter Bio-pharmaceutical Company Limited in 2015.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "Annual General Meeting") will be held on Friday, 27 May 2016 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 2015, the Directors proposed that a final dividend of RMB12 cents (2014: RMB12 cents) per share and a special dividend of RMB9 cents (2014: RMB10 cents) per share will be paid on 17 June 2016, to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 7 June 2016. 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 30 March 2016 (RMB1=HK1.195). Accordingly, the amount payable on 17 June 2016 will be:

Proposed dividend: Final – HK$0.1434 per share
Special – HK$0.1076 per share

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016, 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 Shops 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, 24 May 2016.

The register of members will also be closed from Monday, 6 June 2016 to Tuesday, 7 June 2016, 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, 3 June 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2015, 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 2015, 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 (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors. Having made specific enquiry, all Directors confirmed that they had complied with the Model Code during the financial year ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2015.

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 2015 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 25 April 2016.

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, 30 March 2016

As at the date of this announcement, the executive Directors are Mr. Li Zhenjiang, Ms. Xin Yunxia, Mr. Li Huimin, Ms. Lee Ching Ton Brandelyn and Mr. Chen Zhong; and the independent non-executive Directors are Mr. Hung, Randy King Kuen, Ms. Cheng Li and Mr. Sun Liutai.