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 2014

HIGHLIGHTS

- Turnover increased by 1.9% from last year to RMB2,229,201,000.
- Profit for the year increased by 3.1% from last year to RMB704,690,000.
- Profit for the year increased mainly attributable to the increase in turnover and operating profit.
- Basic and diluted earnings per share were RMB0.85.
- Recommended final dividend of RMB0.12 per share and special dividend of RMB0.10 per share.

RESULTS

The board of directors (the "Board") of China Shineway Pharmaceutical Group Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014 with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** ***RMB'000***	2013 *RMB'000*
Turnover	*3*	**2,229,201**	2,187,115
Cost of sales		**(751,198)**	(712,692)
Gross profit		**1,478,003**	1,474,423
Other income		**55,161**	85,572
Investment income	*4*	**129,703**	89,389
Net exchange loss		**(4,790)**	(1,726)
Distribution costs		**(411,658)**	(439,137)
Administrative expenses		**(285,403)**	(262,025)
Research and development costs		**(80,419)**	(83,288)
Share of profit of an associate		**–**	1,184
Loss on disposal of an associate		**–**	(1,467)
Finance costs	*5*	**(16,861)**	(3,279)
Profit before taxation		**863,736**	859,646
Taxation	*6*	**(159,046)**	(176,004)
Profit and total comprehensive income for the year	*7*	**704,690**	683,642
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**704,775**	683,647
Non-controlling interests		**(85)**	(5)
		704,690	683,642
Earnings per share			
– Basic	*8*	**85 cents**	83 cents
– Diluted		**85 cents**	83 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**2014** ***RMB'000***	2013 *RMB'000*
Non-current assets			
Property, plant and equipment		**1,574,725**	1,599,242
Prepaid lease payments		**141,808**	144,216
Intangible assets		**23,286**	518
Goodwill		**99,654**	91,663
Deposit for acquisition of a subsidiary		**30,000**	–
Deposits for acquisition of intangible assets		**64,000**	–
Deferred tax assets	*10*	**24,116**	25,439
		1,957,589	1,861,078
Current assets			
Inventories		**285,672**	244,484
Trade receivables	*11*	**12,933**	10,105
Bills receivables	*11*	**580,884**	669,941
Prepayments, deposits and other receivables		**141,688**	122,091
Pledged bank deposits		**240,410**	538,690
Bank balances and cash		**2,688,148**	2,291,905
		3,949,735	3,877,216
Current liabilities			
Trade payables	*12*	**174,006**	208,152
Bills payables	*12*	**28,481**	11,427
Other payables and accrued expenses		**439,356**	418,455
Amounts due to related companies		**7,062**	11,330
Deferred income	*13*	**4,630**	1,140
Tax liabilities		**32,450**	29,496
Bank borrowing	*14*	**200,000**	500,000
		885,985	1,180,000
Net current assets		**3,063,750**	2,697,216
Total assets less current liabilities		**5,021,339**	4,558,294
Non-current liabilities			
Deferred tax liabilities	*10*	**23,638**	28,802
Deferred income	*13*	**104,793**	99,876
		128,431	128,678
		4,892,908	4,429,616
Capital and reserves			
Share capital		**87,662**	87,662
Reserves		**4,804,809**	4,341,432
Equity attributable to owners of the Company		**4,892,471**	4,429,094
Non-controlling interests		**437**	522
		4,892,908	4,429,616

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 to be published by the Company.

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries 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 new and revised IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year.

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

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

Amendments to IAS 36 "Recoverable amount disclosures for non-financial assets"

The Group has applied the amendments to IAS 36 "Recoverable amount disclosures for non-financial assets" for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 "Fair value measurements".

The application of these amendments has had no material impact on the disclosures in the Group's 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[3]
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants[5]
Amendments to IAS 19	Defined benefit plans: Employee contributions[4]
Amendments to IAS 27	Equity method in separate financial statements[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception[5]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to IFRSs	Annual improvements to IFRSs 2010-2012 cycle[6]
Amendments to IFRSs	Annual improvements to IFRSs 2011-2013 cycle[4]
Amendments to IFRSs	Annual improvements to IFRSs 2012-2014 cycle[5]

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, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

IFRS 9 "Financial instruments"

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

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

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

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

IFRS 15 "Revenue from contracts with customers"

In July 2014, 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.

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:

	2014	2013
	RMB'000	*RMB'000*
Injections	**1,347,450**	1,334,872
Soft capsules	**446,130**	437,885
Granules	**357,202**	341,532
Others	**78,419**	72,826
	2,229,201	2,187,115

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 2014 and 2013, there was no customer with turnover accounted for more than 10% of the Group's total turnover.

4. INVESTMENT INCOME

	2014	2013
	RMB'000	*RMB'000*
Interest on bank deposits	**54,678**	59,543
Investment income from debt related products	**–**	3,352
Investment income from short-term debt related products	**75,025**	26,494
	129,703	89,389

5. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within one year	**16,861**	3,279

6. TAXATION

	2014	2013
	RMB'000	*RMB'000*
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax	**143,112**	142,210
Overprovision in prior years	**(1,862)**	(1,979)
Withholding tax paid on distributed profits	**–**	7,500
	141,250	147,731
Deferred tax *(note 10)*	**17,796**	28,273
	159,046	176,004

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year. The Company and its subsidiaries operating in Hong Kong do not have assessable profits, accordingly, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements.

The provision for PRC Enterprise Income Tax ("PRC EIT") is based on the estimated taxable income for PRC taxation purpose at the rate of taxation applicable for both years. Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Certain subsidiaries which are operating in the Western China or recognised as High and New-Tech Enterprise have been granted tax concessions by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both years. The tax concessions granted to certain subsidiaries operating in the Western China or recognised as High and New-Tech Enterprise will expire in 2020 and 2014, respectively. 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.

7. PROFIT FOR THE YEAR

	2014	2013
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**42,367**	35,680
Other staff costs	**207,918**	169,987
Other staff's pension costs	**40,250**	49,923
Share-based payment expense for other staff	**25,759**	12,226
	316,294	267,816
Amortisation of intangible assets	**2,083**	220
Amortisation of prepaid lease payments	**3,645**	3,633
Auditor's remuneration	**1,546**	1,474
Depreciation of property, plant and equipment	**142,239**	97,840
Loss (gain) on disposal of property, plant and equipment	**252**	(80)
Rental expenses under operating lease in respect of rented premises	**5,447**	5,327
Government subsidies (included in other income) *(Note)*	**(49,412)**	(83,989)

Note: The government subsidies represent the amounts received from the local government by the subsidiaries of the Company. In 2014, government subsidies of (a) RMB45,709,000 (2013: RMB78,530,000) represent incentives received in relation to carrying out business operations in relevant regions in the PRC; and (b) RMB3,703,000 (2013: RMB5,459,000) represent recognition of deferred income upon completion of related research activities (note 13).

8. EARNINGS PER SHARE

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

	2014	2013
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**704,775**	683,647

	Number of ordinary shares	
	2014	2013
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 2014 and 2013 has not assumed the exercise of the Company's share options because the adjusted exercise prices of the share options (after the adjustment of the fair value of the unvested share options) were higher than the average market prices of those shares for the outstanding period during the year ended 31 December 2014 and 2013.

9. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Dividends recognised as distributions during the year:		
Final dividend paid for 2013 of RMB12 cents (2012: RMB12 cents) per share	**99,240**	99,240
Special dividend paid for 2013 of RMB10 cents (2012: RMB9 cents) per share	**82,700**	74,430
Interim dividend paid for 2014 of RMB11 cents (2013: RMB11 cents) per share	**90,970**	90,970
	272,910	264,640
Dividends proposed:		
Proposed final dividend of RMB12 cents (2013: RMB12 cents) per share	**99,240**	99,240
Proposed special dividend of RMB10 cents (2013: RMB10 cents) per share	**82,700**	82,700
	181,940	181,940

The final dividend of RMB12 cents per share and special dividend of RMB10 cents per share, totalling RMB22 cents, have been proposed by the directors 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:

	2014	2013
	RMB'000	*RMB'000*
Deferred tax assets	**24,116**	25,439
Deferred tax liabilities	**(23,638)**	(28,802)
	478	(3,363)

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

	Accelerated tax depreciation	**Deferred income**	**Others**	**Fair value adjustment arising from acquisition of a subsidiary**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	5,317	18,667	926	–	24,910
Charge to profit or loss	(146)	–	(28,127)	–	(28,273)
At 31 December 2013	5,171	18,667	(27,201)	–	(3,363)
Acquisition of a subsidiary	–	–	–	(6,213)	(6,213)
Transfer to tax payable	–	–	27,850	–	27,850
Charge to profit or loss	(146)	(856)	(17,259)	465	(17,796)
At 31 December 2014	5,025	17,811	(16,610)	(5,748)	478

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 RMB140,710,000 (2013: RMB113,244,000) 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 RMB42,276,000 (2013: RMB25,091,000) that will expire in 5 years (2013: 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 RMB2,836,099,000 (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.

11. TRADE AND BILLS RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**13,057**	10,229
Less: Allowance for doubtful debts	**(124)**	(124)
	12,933	10,105
Bills receivables	**580,884**	669,941
	593,817	680,046

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.

	2014	2013
	RMB'000	*RMB'000*
Within 6 months	**593,817**	679,992
Over 6 months but less than 1 year	**–**	54
	593,817	680,046

12. TRADE AND BILLS PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**174,006**	208,152
Bills payables	**28,481**	11,427
	202,487	219,579

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

	2014	2013
	RMB'000	*RMB'000*
Within 6 months	**193,669**	206,540
Over 6 months but less than 1 year	**1,866**	1,904
Over 1 year but less than 2 years	**2,465**	4,279
Over 2 years	**4,487**	6,856
	202,487	219,579

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

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**101,016**	94,435
Addition during the year	**12,110**	12,040
Recognised as other income	**(3,703)**	(5,459)
At 31 December	**109,423**	101,016
Analysed for reporting purpose as		
Current liabilities	**4,630**	1,140
Non-current liabilities	**104,793**	99,876
	109,423	101,016

Included in the deferred income at 31 December 2014 are government subsidies amounting to RMB38,179,000 (2013: RMB26,350,000) in relation to research and development expenses on certain new products not yet recognised. The subsidy is recognised as deferred income because there is an obligation to repay the subsidy if the related research is not successfully completed. The amount will be recognised in profit or loss when the related research is successfully completed. During the year, the Group received RMB12,110,000 (2013: RMB12,040,000) government subsidies in relation to research and development expenses and recognised RMB281,000 (2013: RMB5,459,000) in profit or loss as the related researches are successfully completed.

At 31 December 2014, the deferred income included a government subsidy amounting to RMB71,244,000 (2013: RMB74,666,000) 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. Deferred income amounting to RMB3,422,000 (2013: nil) is transferred to profit or loss as part of the development project has been completed during the year.

14. BANK BORROWING

The bank borrowing is secured and repayable within one year. At the end of the reporting period, the Group has pledged certain pledged bank deposits of RMB211,000,000 (2013: RMB527,000,000) to a bank to secure the bank borrowing granted to the Group. The bank borrowing carries a fixed interest at 2.85% (2013: 2.85%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Under the influences of the environmental policies such as the continued steady growth of the pharmaceutical industry, the 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 2014 to be a year during which the corporation made a solid foundation, integrated resources, constantly innovated and developed steadily.

The Group is rated as the national technological innovation demonstration enterprise and the national demonstration enterprise on the integration of information technology and industrialization, and also included in the first batch of the national intellectual property superior enterprises. The national and local united engineering laboratory for the development technology of the new Chinese medicine injection (中藥注射劑新藥開發技術國家地方聯合工程實驗室) located in SHINEWAY is approved by the National Development and Reform Commission. The Group is conferred 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.

The Group recorded increases in both its turnover and profit as compared to last year. For the year 2014, the Group recorded a turnover of RMB2,229,201,000, an increase of 1.9% from previous year. Sales by product form for the year are set out as follows:

	Sales *(RMB)*	**Growth Rate**	**Product Mix**
Injections	1,347,450,000	0.9%	60.4%
Soft Capsules	446,130,000	1.9%	20.0%
Granules	357,202,000	4.6%	16.0%
Other product formats	78,419,000	7.7%	3.6%

The Group's profit attributable to owners of the Company for 2014 is RMB704,775,000, representing a rise of 3.1% from year 2013. The rise in profit was mainly attributable to the increased turnover and operating profit.

Injection Products

During 2014, the Group sold RMB1,347,450,000 of injection products, an increase of 0.9% from year 2013. Amongst these injection products, Qing Kai Ling injection remained the key product of the Group. Injection products accounted for 60.4% of the Group's turnover in 2014, while they contributed 61.0% of the turnover in prior year.

There are continued market demands for Chinese medicine injection products. The Group believes that it is currently the largest Chinese medicine injections manufacturer in the PRC in terms of sales volume and production capacity. A number of the Group's injection products are designated by regulatory agencies as "Good Quality/Good Price" products. The Group's injection production capacity is approximately 3.2 billion vials per annum.

The Group considers that, Chinese medicine injection, as a significant innovation on the modernization of the Chinese medicine, its overall situation supported by the state will not change. The Group positively undertakes the basic research for the medicinal materials and the 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 2014, our Soft Capsule products gained the PRC and Australia GMPD certification, the Group recorded RMB446,130,000 on sales of soft capsule products, an increase of 1.9% from last year. The increase was mainly driven by the increased sales of Huo Xiang Zheng Qi Soft Capsule and Compound Trivitamin and Linolic Acid Soft Capsule I.

Soft Capsule products accounted for 20.0% of the Group's turnover in 2014, 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 2014 increased by 4.6%, amounted to RMB357,202,000. This was mainly attributable to the year-on-year sales increase of Pediatric Qing Fei Hua Tan Granule and Liyan Jiedu Granule.

Granule products accounted for 16.0% of the Group's turnover in 2014 as compared to 15.6% in 2013.

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

Other Products

Sales of other products in 2014 increased by 7.7% compared to last year, amounted to RMB78,419,000. The increase was mainly attributable to the rise in sales of Xuesaitong Diwan 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 2014 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 with vigorously investment in building the New Rural Cooperative Medical Care System by the State, Urban Resident Basic Medical Insurance and implementing the Essential Drug List by the PRC, as well as the Measures for the Administration on the Clinical Application of Antibacterial Medicines launched by the Ministry of Health of the PRC in August 2012, which will restrict the overuse of antibacterial medicines in clinics, market demand of heat clearing and anti-toxic Chinese medicine, especially for Qing Kai Ling Injection, is expected to grow vastly. The Group believes that it is the largest manufacturer of Qing Kai Ling Injection in the PRC based on sales volume and sales amount. The Group will further enhance market coverage and penetration of end networks, as well as to strengthen marketing and promotion effort at the points of sales. Qing Kai Ling Injection will sustain steady growth.

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

Owing to the price reduction as a result of medicine bidding, sales of Shen Mai Injection in 2014 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 2014, sales of Shu Xie Ning Injection increased compared with last year.

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

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

In 2014, 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 2014, 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 2014, 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 increase in 2015 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 2014, 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 2014, 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 2014, 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 2014, sales of Shujin Tongluo Granule increased compared with last year.

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

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

In 2014, sales of Jiangzhi Tongluo Soft Capsule increased compared with last year.

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

New Products

Qi Huang Tong Mi Soft Capsule – for treatment of qi deficiency type constipation, appropriate for habitual constipation of the mid-aged group, senior citizens

This product has completed Phase IV clinical research and long-term toxicity experiment, and obtained favorable clinical trials verification. Experiment result indicated a good security in the clinical application dosage. Such product will become one of the common traditional Chinese medicine for treatment of clinical constipation.

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 listed in the National Catalogues of Medicine Insurance and Occupational Injury Insurance, with nation-wide medical insurance, 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 plan to launch it as a major product in 2015.

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 was completely set up at the end of 2014.

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.

Projects from Shineway's innovation research and development system achieved significant achievement in 2014, including one new drug application, one production application, two new drugs clinical trials applications to CFDA and three products in food category reported for the completion of the Chinese research and applied for trial production. We had 14 new projects in 2014 including 4 Chinese medicine projects, 6 chemical drugs projects and 4 healthcare product projects. There were 16 patent applications, including 1 patent transfer, and 8 patent authorization. There were 2 National Quality applications, 2 National Major Projects, 1 International Cooperation Project Funds project, 1 Ministerial Scientific and Technological Project, 2 Provincial Scientific and Technological Projects, 1 National Science and Technology Advancement Second Prize Award and 1 Provincial Award. Projects under research and development comprise 12 traditional Chinese medicines, including injection and oral preparation and one first-class new medicine; 10 chemical drugs with focus on R&D area of anticancer drug and cancer adjuvant; 1 listed product made from bio-pharmaceuticals, which is in the progress of clinical evidence-based medical research, research of proteomics and strict market layout; 10 health R&D projects, which focus on the development of mid- to high-end products and sufficiently absorb scarce materials to meet core need of health.

In 2014, the medical department was established as independent R&D department and actively conducted the evidence-based medical research for listed products, and set up 14 projects including one clinical trial Phase IV research. Evidence-based research focused on major products and products with market potential. Medical department cooperates closely with market department to actively prepare for development of high-end market and provide systematic medical information for the marketing of listed products, so as to be in line with new layout and new plan of marketing.

In 2014, technology department and the whole three-level R&D system comprehensively systemize three main technology platforms and corresponding key products. Three main technology platforms represent technology platforms for traditional Chinese medicine injection, soft capsule preparation and traditional Chinese medicine granule. The Group recorded significant achievement in terms of further optimizing production technology, raising and ensuring quality, reducing production cost, energy conservancy and environmental protection. Of which, the comprehensive quality control system for traditional Chinese medicine injection and its application in Qing Kai Ling, Shu Xue Ning and Shen Mai injection was awarded the second prize of National Science and Technology Advancement Award.

At the beginning of 2015, the R&D system newly established by the Group will comprehensively plan for the product development and technology supporting, and our whole technicians team will work actively. Thus SHINEWAY will enter into a new era heading for high-end pharmaceutical industry and internationalization.

PATENT APPLICATIONS

The Group continued to strengthen the protection of its intellectual property rights. During 2014, the Group received 12 invention patents from State Intellectual Property Office of the PRC.

As at the date of this annual report, the Group has obtained 43 patents for our inventions, and a total of 23 patent applications are pending for approval.

STATE PROTECTED CHINESE MEDICINES

As of 31 December 2014, 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. 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 of oral products following the end of sterile preparation of injection products 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 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 2014, bank deposits of the Group approximately amounted to RMB2,688,148,000 (2013: RMB2,291,905,000), of which RMB2,644,326,000 (2013: RMB2,235,932,000) were denominated in RMB, others being equivalent to RMB34,239,000, RMB9,443,000 and RMB140,000 (2013: RMB46,109,000, RMB9,727,000 and RMB137,000) were denominated in Hong Kong Dollars, Australian Dollars and United States Dollars respectively.

The directors of the Company (the "Director") 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 2014, the Group had bank borrowings and bills payables amounted to RMB200,000,000 (2013: RMB500,000,000) and RMB28,481,000 (2013: RMB11,427,000) respectively. These liabilities are repayable within one year. Bank deposits of RMB240,410,000 (2013: RMB538,690,000) were pledged to banks to secure these bank borrowings and bills payables. Hence, the Group's gearing ratio based on interest bearing debt for the year is 4.1% (2013: 11.3%).

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 31 December 2014 increased by 44.0 times to RMB23,286,000 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.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "Annual General Meeting") will be held on Friday, 29 May 2015 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 2014, the Directors proposed that a final dividend of RMB12 cents (2013: RMB12 cents) per share and a special dividend of RMB10 cents (2013: RMB10 cents) per share will be paid on 19 June 2015, to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 9 June 2015. 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 9:30 a.m. on 27 March 2015 (RMB1=HK1.25). Accordingly, the amount payable on 19 June 2015 will be:

Proposed dividend:	Final – RMB12 cents per share; approximately HK$0.150 per share
	Special – RMB10 cents per share; approximately HK$0.125 per share

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 27 May 2015 to Friday, 29 May 2015, 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, 26 May 2015.

The register of members will also be closed from Monday, 8 June 2015 to Tuesday, 9 June 2015, 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, 5 June 2015.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2014, 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 2014, 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 2014.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2014.

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 2014 and Corporate Governance Report will be published on the Company's website (www.shineway.com.hk) and the website of the Stock Exchange (www.hkex.com.hk) on or before 23 April 2015.

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, 27 March 2015

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, Dr. Wang Zheng Pin and Mr. Chen Zhong; and the independent non-executive Directors are Mr. Hung, Randy King Kuen, Ms. Cheng Li and Mr. Sun Liutai.