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CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED

中國神威藥業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02877)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2016, the operating results of the Group were as follows:

- Turnover reached RMB931,641,000, a decrease of 16.0% as compared to the corresponding period of last year;
- Gross profit margin was 63.9% as compared to 65.8% of the corresponding period of last year;
- Profit for the period amounted to RMB276,466,000, a decrease of 28.3% as compared to the corresponding period of last year;
- Earnings per share amounted to RMB33 cents; and
- Declared interim dividend of RMB11 cents per share.

RESULTS

The board of directors (the “Board”) of China Shineway Pharmaceutical Group Limited (the “Company” or “Shineway”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2016 with comparative figures for the six months ended 30 June 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
	NOTES	(Unaudited)	(Unaudited)
Turnover	3	931,641	1,109,306
Cost of sales		<u>(336,016)</u>	<u>(379,613)</u>
Gross profit		595,625	729,693
Other income		4,963	18,300
Investment income		59,515	53,304
Net exchange loss		(2,055)	(4,319)
Selling and distribution costs		(154,732)	(167,193)
Administrative expenses		(140,149)	(136,705)
Research and development costs		(33,884)	(19,017)
Finance costs	4	<u>–</u>	<u>(61)</u>
Profit before taxation		329,283	474,002
Taxation	5	<u>(52,817)</u>	<u>(88,380)</u>
Profit and total comprehensive income for the period	6	<u>276,466</u>	<u>385,622</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		276,466	385,493
Non-controlling interests		<u>–</u>	<u>129</u>
		<u>276,466</u>	<u>385,622</u>
Earnings per share – basic	8	<u>RMB33 cents</u>	<u>RMB47 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		30.6.2016	31.12.2015
		RMB'000	RMB'000
	<i>NOTES</i>	(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	9	1,497,039	1,529,020
Prepaid lease payments	10	152,474	154,495
Intangible assets		368,550	388,744
Goodwill		159,291	159,291
Deposit for acquisition of intangible assets		58,000	58,000
Deferred tax assets		21,932	23,061
		2,257,286	2,312,611
Current assets			
Inventories		319,601	340,858
Trade receivables	11	29,756	31,046
Bills receivables	11	362,288	426,277
Prepayments, deposits and other receivables		130,512	170,901
Amount due from a related company		6	1,943
Pledged bank deposits		50,445	43,247
Bank balances and cash		2,951,986	2,826,219
		3,844,594	3,840,491
Current liabilities			
Trade payables	12	172,998	180,879
Bills payables	12	50,445	43,247
Other payables and accrued expenses		298,131	452,065
Amounts due to related companies		6,002	3,292
Deferred income		8,381	4,648
Tax liabilities		10,567	17,477
		546,524	701,608
Net current assets		3,298,070	3,138,883
Total assets less current liabilities		5,555,356	5,451,494
Non-current liabilities			
Deferred tax liabilities		63,941	62,952
Deferred income		86,971	92,571
		150,912	155,523
Net assets		5,404,444	5,295,971
Capital and reserves			
Share capital	13	87,662	87,662
Reserves		5,316,782	5,208,309
Total equity		5,404,444	5,295,971

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by International Accounting Standards Board.

The Group’s condensed consolidated financial statements are presented in Renminbi (“RMB”) which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board that are mandatorily effective for the current interim period.

Amendments to IFRSs	Annual improvements to IFRSs 2012 – 2014 cycle
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to IAS 1	Disclosure initiative
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts and/or disclosures reported in these condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amount received and receivable from sales of Chinese pharmaceutical products.

The Group’s operation is regarded as a single segment, being an enterprise engaged in research and development, manufacturing and trading of Chinese pharmaceutical products. The Chairman of the Board of Directors of the Group, being the chief operating decision maker (“CODM”), reviews the revenue and the profit for the period of the Group as a whole for performance assessment and resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

4. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interests on bank borrowings	-	61
	<u> </u>	<u> </u>

5. TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
People's Republic of China (the "PRC") Enterprise Income Tax	53,932	70,541
(Over)underprovision in prior years	(3,233)	4,949
Withholding tax paid on distributed profits	-	25,500
	<u> </u>	<u> </u>
	50,699	100,990
	<u> </u>	<u> </u>
Deferred tax:		
Current year	(2,132)	390
Withholding tax on undistributed profits	4,250	(13,000)
	<u> </u>	<u> </u>
	2,118	(12,610)
	<u> </u>	<u> </u>
	52,817	88,380
	<u> </u>	<u> </u>

The provision for PRC Enterprise Income Tax ("EIT") is based on the estimated taxable income for PRC taxation purpose at the rate of taxation applicable for the period.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

A subsidiary which is operating in Western China has been granted tax concession by the local tax bureau and is entitled to PRC EIT at concessionary rate of 9% for both periods, for which the tax concession will expire in 2017. Certain subsidiaries which are recognised as High and New-tech Enterprises have been granted tax concessions by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both periods, for which the tax concessions 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.

5. TAXATION (Continued)

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 condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB3,595,992,000 (31.12.2015: RMB3,333,562,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	20,194	1,253
Amortisation of prepaid lease payments	2,018	1,853
Depreciation of property, plant and equipment	75,128	73,137
Government subsidies (included in other income) (Note a)	(4,551)	(13,335)
Interest income from bank deposits (included in investment income)	(42,185)	(21,844)
Investment income from debt related products (Note b)	–	(7,633)
Investment income from short-term financial products (Note c)	(17,330)	(23,827)
Loss (gain) on disposal of property, plant and equipment	115	(2,697)
Share-based payment expense	5,677	10,581

Notes:

- (a) The government subsidies represent the amounts received from the local government by the PRC subsidiaries of the Company. In the current period, government subsidies of (a) RMB2,684,000 (2015: RMB7,539,000) represent incentives received in relation to carrying out business operations in relevant regions in the PRC; and (b) RMB1,867,000 (2015: RMB5,796,000) represent recognition of deferred income upon completion of related research activities.
- (b) These debt related products were entered and matured during the six months ended 30 June 2015 with effective interest rate ranged from 5.3% to 5.4% per annum. No debt related products were entered into during the six months ended 30 June 2016.
- (c) These short-term financial products, which are related to debt and equity instruments and foreign currencies, carried effective interest rate ranged from 3.7% to 4.4% (2015: 5.4% to 5.6%) per annum. In the opinion of the directors of the Company, these short-term financial products are large in amounts, with quick turnover and short maturities. Accordingly, the cash receipts and payments for these short-term financial products are presented on a net basis in the condensed consolidated statement of cash flows.

7. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends		
– 2015 final dividend of RMB12 cents (2015: 2014 final dividend of RMB12 cents) per share paid	99,240	99,240
– 2015 special dividend of RMB9 cents (2015: 2014 special dividend of RMB10 cents) per share paid	74,430	82,700
	173,670	181,940
	90,970	90,970
– 2016 interim dividend of RMB11 cents (2015: RMB11 cents) per share	90,970	90,970

The interim dividend of RMB11 cents per share which was proposed by the directors of the Company for the period has been calculated on the basis of 827,000,000 shares in issue as at 26 August 2016 and will be paid on 28 October 2016, to the shareholders of the Company whose names appear in the Company's register of members on 14 October 2016.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	276,466	385,493
	827,000,000	827,000,000
Number of ordinary shares for the purpose of basic earnings per share	827,000,000	827,000,000

The computation of diluted earnings per share for the period ended 30 June 2016 and 2015 has not assumed the exercise of the Company's share options because the adjusted exercise prices of the share options (after the adjustment of the fair value of the unvested share options) were higher than the average market price of those shares for the outstanding period during the period ended 30 June 2016 and 2015.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired buildings at a cost of RMB515,000 (for the six months ended 30 June 2015: RMB588,000), plant and machinery of RMB5,354,000 (for the six months ended 30 June 2015: RMB5,953,000), office equipment of RMB816,000 (for the six months ended 30 June 2015: RMB3,136,000), motor vehicles of RMB711,000 (for the six months ended 30 June 2015: RMB239,000) and made additions to construction in progress of RMB35,866,000 (for the six months ended 30 June 2015: RMB27,568,000).

10. PREPAID LEASE PAYMENTS

	30.6.2016 <i>RMB'000</i> (Unaudited)	31.12.2015 <i>RMB'000</i> (Audited)
At beginning of the period/year	158,528	145,466
Addition during the period/year	–	14,793
Acquisition of subsidiaries	–	2,129
Expense for the period/year	(2,018)	(3,860)
	<u>156,510</u>	<u>158,528</u>
At end of the period/year	156,510	158,528
Leasehold land in the PRC		
Current portion (included in other receivables)	4,036	4,033
Non-current portion	152,474	154,495
	<u>156,510</u>	<u>158,528</u>

11. TRADE AND BILLS RECEIVABLES

	30.6.2016 <i>RMB'000</i> (Unaudited)	31.12.2015 <i>RMB'000</i> (Audited)
Trade receivables	29,756	31,046
Bills receivables	362,288	426,277
	<u>392,044</u>	<u>457,323</u>

The Group allows credit periods normally ranging from six months to one year to its trade customers. An aged analysis of the trade and bills receivables based on the invoice date, which approximated the revenue recognition date, is as follows:

	30.6.2016 <i>RMB'000</i> (Unaudited)	31.12.2015 <i>RMB'000</i> (Audited)
Within 6 months	391,482	456,704
Over 6 months but less than 1 year	562	619
	<u>392,044</u>	<u>457,323</u>

12. TRADE AND BILLS PAYABLES

	30.6.2016 RMB'000 (Unaudited)	31.12.2015 <i>RMB'000</i> (Audited)
Trade payables	172,998	180,879
Bills payables	50,445	43,247
	223,443	224,126

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

	30.6.2016 RMB'000 (Unaudited)	31.12.2015 <i>RMB'000</i> (Audited)
Within 6 months	192,370	211,678
Over 6 months but less than 1 year	25,296	1,131
Over 1 year but less than 2 years	1,576	4,055
Over 2 years	4,201	7,262
	223,443	224,126

Trade and bills payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases ranges from two months to six months.

13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
Balance at 1 January 2015, 31 December 2015 and 30 June 2016	<u>5,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Balance at 1 January 2015, 31 December 2015 and 30 June 2016	<u>827,000</u>	<u>82,700</u>
		<i>RMB'000</i>
Shown in the financial statements as		<u>87,662</u>

There were no changes in the Company's authorised, issued and fully paid share capital during the period.

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

15. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)
Rental expenses to Shineway Medical Science & Technology Co., Ltd. (“Shineway Medical”) (<i>Note</i>)	639	1,790
Rental expenses to Shineway Medical Science & Technology (Lang Fang) Co., Ltd. (“Shineway Lang Fang”) (<i>Note</i>)	506	506
Service fee to Shineway Medical (<i>Note</i>)	4,314	4,169
Service fee to Shineway Lang Fang (<i>Note</i>)	1,237	1,198
Sale of Chinese pharmaceutical products to Hebei Shineway Chain Drugstores Co., Ltd. (“Shineway Drugstores”) (<i>Note</i>)	36	8,701

Note: Shineway Medical, Shineway Lang Fang and Shineway Drugstores are ultimately controlled by the controlling shareholder of the Company.

Compensation of key management personnel

The key management personnel are directors of the Company. Details of the remuneration paid to them during the period were as follows:

	Six months ended 30 June	
	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)
Short-term benefits	6,153	7,272
Post-employment benefits	39	45
	<u>6,192</u>	<u>7,317</u>

16. COMMITMENTS

(a) Operating lease commitments

At 30 June 2016, the Group had future aggregate minimum lease payments under operating leases as follows:

	30.6.2016 <i>RMB'000</i> (Unaudited)	31.12.2015 <i>RMB'000</i> (Audited)
Within one year	3,111	6,372
In the second to fifth year inclusive	1,224	4,800
	4,335	11,172

Operating lease payments represent rentals payable by the Group for certain of its warehouse, staff quarters and offices. Leases are negotiated for terms ranging from one to three years with fixed rental.

Included in the above, the Group had future aggregate minimum lease payments under operating leases with related parties which are ultimately controlled by the controlling shareholder of the Company as follows:

	30.6.2016 <i>RMB'000</i> (Unaudited)	31.12.2015 <i>RMB'000</i> (Audited)
Within one year	2,290	4,592
In the second to fifth year inclusive	1,145	4,592
	3,435	9,184

(b) Capital commitments

	30.6.2016 <i>RMB'000</i> (Unaudited)	31.12.2015 <i>RMB'000</i> (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements		
– in respect of acquisition of property, plant and equipment	272,116	364,152
– in respect of acquisition of intangible assets	84,000	84,000

17. EVENT AFTER THE REPORTING PERIOD

On 1 July 2016, the Group entered into a sale and purchase agreement with Shineway Medical to dispose of the entire equity interests in Jing Li Yuan Biotechnology Limited 精力源生物科技有限公司, a wholly-owned subsidiary of the Group, at a cash consideration of RMB80,000,000. It is expected that the Group will not have any gain or loss on the disposal. Details of the disposal are set out in the Company's announcement dated 4 July 2016.

BUSINESS REVIEW

For the six months ended 30 June 2016, the Group recorded a turnover of RMB931,641,000, a decrease of 16.0% as compared to the corresponding period last year. Sales by product form for the period are set out as follows:

	Sales	Product mix	Growth rate
Injections	RMB543,267,000	58.3%	-12.7%
Soft Capsules	RMB173,121,000	18.6%	-31.8%
Granules	RMB163,674,000	17.6%	-15.4%
Other product formats	RMB51,579,000	5.5%	29.1%

The Group's profit attributable to owners of the Company for the period ended 30 June 2016 is RMB276,466,000 representing a decrease of 28.3% as compared to the corresponding period of last year. The decrease in profit was mainly attributable to: (1) the decreases of average selling price and sales volume of the Group's pharmaceutical products as compared with those of the corresponding period in 2015; (2) amortization expense of intangible assets arising from the acquisitions during restructuring of new business areas of the Group caused the overall administrative expenses to increase slightly as compared to the same period of last year and (3) the Group has strengthened the development of new products leading to an increase in research and development costs for the period.

Injection Products

For the first six months of 2016, the Group sold RMB543,267,000 of injection products, representing a decline of 12.7% from the same period of last year. For the first six months of 2016, injection products accounted for 58.3% of the Group's total turnover as compared to 56.1% for the same period of last year. The sales of injection products recorded a decrease which was mainly attributable to the decline in sales of Qing Kai Ling Injection, Shen Mai Injection and Shu Xie Ning Injection.

Soft Capsule Products

For the first six months of 2016, the Group recorded RMB173,121,000 on sales of soft capsule products, declined by 31.8% from the same period of last year. This was mainly due to the sales decrease of Wu Fu Xin Nao Qing Soft Capsule, Huo Xiang Zheng Qi Soft Capsule and Qing Kai Ling Soft Capsule.

Soft capsule products accounted for 18.6% of the Group's turnover for the first six months of 2016, as compared to 22.9% for the same period of last year. The Group's production capacity for soft capsule products is presently at 3.5 billion capsules per annum. The Group believes that it is currently the largest Chinese medicine soft capsule manufacturer in the PRC in terms of sales volume and production capacity.

Granule Products

Sales of granule products in the first six months of 2016 had decreased by 15.4% as compared to the same period of last year, amounting RMB163,674,000. This was mainly resulted from the sales decrease of Pediatric Qing Fei Hua Tan Granule, Pediatric Hua Tan Zhi Ke Granule and Huamoyan Granule.

Granule products accounted for 17.6% of the Group's turnover for the first six months of 2016 as compared to 17.4% of the same period of last year. The Group's production capacity of granule products is currently at 3.4 billion bags per annum. The Group believes that it is the largest Chinese medicine granule products manufacturer in the PRC in terms of sales volume and production capacity.

Other Products

Sales of other products in the first six months of 2016 had increased by 29.1% as compared to the same period of last year, amounted to RMB51,579,000. The increase was mainly attributable to the increase in sales of Chinese Medicine Prescription Granule and tablet products as compared to the same period last year.

PROSPECT

In recent years, medical industry grew steadily, following the extension of medical reform, the coverage of medical insurance expanded significantly, the medicine quality standard system and management were improved constantly, and the relevant policies issued by the State Council accelerated the development of health service industry, all these indicated a prosperous future of the Chinese medical industry development.

The State Council issued 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 been implemented, 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 positively copes with policy changes, strengthens the academic education and terminal network construction, improves the control of terminals; 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. The Group will try to realise a maximization in the efficiency of marketing value chain to ensure the achievement of strategic target of our Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, bank deposits of the Group, amounting to RMB2,951,986,000 (31 December 2015: RMB2,826,219,000) which comprised of RMB2,880,383,000 (31 December 2015: RMB2,752,246,000), were denominated in Renminbi. Others, being equivalent to RMB3,911,000, RMB64,437,000 and RMB3,255,000 (31 December 2015: RMB8,122,000, RMB65,680,000 and RMB171,000), were denominated in Hong Kong dollars, Australian dollars and United States dollars respectively.

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

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of RMB11 cents per share amounting to RMB90,970,000 in respect of the six months ended 30 June 2016 and are calculated on the basis of 827,000,000 shares issued as at 26 August 2016 (for the six months ended 30 June 2015: RMB11 cents per share, amounting to RMB90,970,000), which will be paid on 28 October 2016, to the shareholders whose names appear on the Company's register of members on 14 October 2016.

The above interim dividend will be payable in cash in Hong Kong dollars and will be converted from Renminbi at the telegraphic transfer exchange rates quoted by bank at 10:00 a.m. on 26 August 2016 (RMB1=HK\$1.1640). Accordingly, the amount payable on 28 October 2016 will be HK\$0.1280 per share.

CLOSURE OF SHARE TRANSFER REGISTRATION

The register of members of the Company will be closed from 13 October 2016 to 14 October 2016 (both days inclusive). In order to qualify for the 2016 interim dividend, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 12 October 2016.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2016, the Company or its subsidiaries did not purchase, sell or redeem any securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2016, except for code provision A.2.1 as described below.

Code provision A.2.1 of the Code stipulates that the roles of chairman of the board (the "Chairman") and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive officer should be clearly established and set out in writing. The Company does not use the title "Chief Executive Officer". The duty of the chief executive officer has been assumed by the president of the Company (the "President").

Mr. Li Zhenjiang has been both the Chairman and President. His responsibilities are clearly set out in writing and approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and President in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the structure from time to time and shall consider any appropriate adjustments should new circumstances arise.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted 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 regarding securities transactions by directors of the Company on terms no less exacting than the required standard set out in the Model Code. The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group's senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry, all directors of the Company confirmed that they had complied with the required standard set out in the Model Code regarding securities transactions of the directors of the Company for the six months ended 30 June 2016.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management and external auditors the accounting principles and policies adopted by the Group and the interim report for the six months ended 30 June 2016.

INTERIM REPORT

The interim report of 2016 will be despatched to the shareholders at the appropriate time and will also be available on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company's website (www.shineway.com.hk) in due course.

We are delighted by the trust and support of our shareholders and those who care about the Company. On behalf of the Board, we would like to take this opportunity to thank all of you, as well as our employees who made tremendous efforts.

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

Hong Kong, 26 August 2016

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