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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: 2877)

ANNOUNCEMENT

The alleged plan for Price Cap Reduction on certain products listed on the Insurance Catalogue as reported in certain news articles in Mainland China has no material adverse impact on the Group's business.

The directors ("**Directors**") of China Shineway Pharmaceutical Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") notice that there have been news articles reporting in Mainland China that the relevant PRC authorities are considering plan to reduce the price caps ("**Price Cap Reduction**") for certain medicines and pharmaceutical products registered under the State Basic Medical Insurance Catalogue ("**Insurance Catalogue**"). The Directors note that as the Group has 22 products registered under the Insurance Catalogue, there are speculations that its business may be adversely affected by the Price Cap Reduction.

The Directors are not aware of, nor the Group has received any notification from the relevant PRC authorities, any plan to reduce the price caps of the Group's existing products. As such alleged plan relates mainly to those products not being the principal products produced or sold by the Company, the Directors are of the view that there should not be any material adverse impact on the Group's business if such alleged plan is implemented.

Shareholders and investors are advised to exercise caution in dealing in the shares of the Company.

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

Hong Kong, 27 May, 2005

As at the date of this announcement, the executive Directors are Mr. Li Zhenjiang, Ms. Wang Zihua, Ms. Xin Yunxia, Mr. Hou Jiangtao and Mr. Li Huimin and the independent non-executive Directors are Mr. Li Kung Man, Dr. Wang Jianping and Prof. Zhou Chaofan.