

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licenced securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Shineway Pharmaceutical Group Limited**, you should at once hand this circular and the accompany form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSALS FOR GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE NEW SHARES,
RE-ELECTION OF DIRECTORS,
AMENDMENT TO THE ARTICLES OF ASSOCIATION,
AND
NOTICE OF ANNUAL GENERAL MEETING**

The notice convening the annual general meeting (“AGM”) of China Shineway Pharmaceutical Group Limited (the “Company”) to be held at the Gloucester Room, 2/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on 12 May, 2005 at 10:30 a.m. is set out on pages 15 to 18 of this circular.

Whether or not you are able to attend and vote at the AGM, you are requested to complete and return the accompanying form of proxy for use at the AGM in accordance with the instructions printed thereon to the Company’s principal place of business in Hong Kong at Suite 5201, 52nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

Hong Kong, 19 April, 2005

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“AGM”	the annual general meeting of the Company to be held at the Gloucester Room, 2/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on 12 May, 2005 at 10:30 a.m., notice of which is set out on pages 15 to 18 of this circular or, where the context so admits, any adjournment thereof
“Articles of Association”	Articles of Association of the Company
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	board of Directors
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	China Shineway Pharmaceutical Group Limited, a company incorporated in the Cayman Islands on 14 August, 2002 with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company for the time being
“Extension Mandate”	as defined in paragraph 3 of the Letter from the Board contained in this circular
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	as defined in paragraph 3 of the Letter from the Board contained in this circular
“Latest Practicable Date”	15 April, 2005, being the latest practicable date prior to the printing of this circular for ascertaining the information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (and where the context requires, references in this circular to the PRC do not apply to Hong Kong, Macau Special Administrative Region of the PRC or Taiwan)

DEFINITIONS

“Repurchase Mandate”	as defined in paragraph 2 of the Letter from the Board contained in this circular
“Repurchase Resolution”	the ordinary resolution as referred to in resolution number 4 of the notice of the AGM
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) with nominal value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sinovest”	Sinovest International Investment Limited, the controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollar, lawful currency of Hong Kong
“%”	per cent



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)

Executive Directors

Mr. LI Zhenjiang (*Chairman*)
Ms. WANG Zhihua
Ms. XIN Yunxia
Mr. HOU Jinagtao
Mr. LI Huimin

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Head Office

Luan Cheng
Shijiazhuang
Hebei Province
The PRC

Independent Non-executive Directors

Mr. LI Kung Man
Dr. WANG Jianping
Prof. ZHOU Chaofan

Principal Place of

Business in Hong Kong

Suite 5201, 52/F.
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Company Secretary

Mr. LOU Sai Tong

Hong Kong, 19 April, 2005

To the Shareholders,

Dear Sir or Madam,

**PROPOSALS FOR GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE NEW SHARES,
RE-ELECTION OF DIRECTORS,
AMENDMENT TO THE ARTICLES OF ASSOCIATION,
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to give you notice of the AGM and the information relating to (i) the grant of Repurchase Mandate, (ii) the grant of the Issue Mandate, (iii) the grant of the Extension Mandate, (iv) the re-election of Directors and (v) the amendment to the Articles of Association.

2. GENERAL MANDATE TO REPURCHASE SHARES

An ordinary resolution of the Company was passed on 19 November, 2004 whereby a general mandate was given to the Directors to repurchase Shares.

Such general mandate will lapse at the conclusion of the AGM. Therefore an ordinary resolution will be proposed at the AGM to grant a general mandate to the Directors to repurchase Shares up to a maximum of 10% of the total nominal value of the Shares in issue as at the date of the passing of the resolution approving such a general mandate (the “Repurchase Mandate”).

An explanatory statement as required by the Listing Rules to be sent to Shareholders to provide the requisite information of the Repurchase Mandate is set out in Appendix I to this circular.

3. GENERAL MANDATE TO ISSUE NEW SHARES

Ordinary resolutions of the Company were also passed on 19 November, 2004 whereby (i) a general mandate was given to the Directors to allot, issue and deal with Shares and (ii) an extension of such a general mandate by way of adding thereto the Shares repurchased by the Company pursuant to the mandate to repurchase Shares granted to the Directors on 19 November, 2004.

Such general mandates will lapse at the conclusion of the AGM. Therefore, two ordinary resolutions will be proposed respectively at the AGM to grant to the Directors, (i) a general mandate to allot, issue and deal with Shares up to a maximum of 20% of the total nominal value of the Shares in issue as at the date of passing the resolution approving such a general mandate (the “Issue Mandate”) and (ii) an extension of such general mandate so granted to the Directors by adding thereto the Shares repurchased by the Company pursuant to the Repurchase Mandate, up to a maximum of 10% of the total nominal value of the Shares in issue as at the date of passing the resolution approving such an extension (the “Extension Mandate”).

4. RE-ELECTION OF DIRECTORS

The Board currently consists of eight Directors. They are Mr. Li Zhenjiang, Ms. Wang Zhihua, Ms. Xin Yunxia, Mr. Hou Jinagtao, Mr. Li Huimin, Mr. Li Kung Man, Dr. Wang Jianping and Prof. Zhou Chaofan.

Pursuant to the Articles of Association, the term of office of each of Ms. Wang Zhihua, Ms. Xin Yunxia, Mr. Hou Jinagtao, Mr. Li Huimin, Mr. Li Kung Man, Dr. Wang Jianping, Prof. Zhou Chaofan will expire at the AGM. All of the aforementioned seven Directors are eligible for re-election at the AGM.

Brief biographical details of the Directors proposed to be re-elected at the AGM are set out in Appendix II to this circular.

5. AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Listing Rules have recently been amended by the Stock Exchange by replacing the Code of Best Practice in Appendix 14 by a new Code on Corporate Governance Practices (the “CG Code”) and adding a new Appendix 23 on the requirements for a Corporate Governance Report to be included in the annual report of listed issuers. Subject to certain transitional arrangements, the amendments took effect on 1 January, 2005.

Paragraph A.4.2 of the Code Provisions requires that every director, including those appointed for a specific term, should be subject to retirement at least once every three years.

To comply with the requirement of paragraph A.4.2 of the CG Code, the Directors propose to amend Article 87(1), the amendments of which have been marked up for ease of reference, as follows:

“Article 87. Retirement of Directors

- (1) Notwithstanding any other provisions in the Articles, at each annual general meeting one third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to ~~but not greater~~ and not less than one-third) shall retire from office by rotation provided that ~~notwithstanding anything therein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year~~ every Director shall be subject to retirement by rotation at least once every three years.”

A special resolution to amend the Articles of Association which requires not less than 75 per cent of the votes cast by the Shareholders attending and entitled to vote at the SGM will be put forth as special business to be considered and approved by the Shareholders at the AGM.

6. ANNUAL GENERAL MEETING

The notice convening the AGM, which contains, inter alia, ordinary resolutions to approve the Repurchase Mandate, the Issue Mandate, the Extension Mandate and the re-election of Directors as well as a special resolution to approve the amendment to the Articles of Association is set out on pages 15 to 18 of this circular.

Whether or not you are able to attend and vote at the AGM, you are requested to complete and return the accompanying form of proxy for use at the AGM in accordance with the instructions printed thereon to the Company’s principal place of business in Hong Kong at Suite 5201, 52nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

LETTER FROM THE BOARD

7. RIGHT TO DEMAND A POLL

Pursuant to Article 66 of the Articles of Association, at any general meeting on a show of hands every member who is present in person (or being a corporation, is present by a duly authorised representative), or by proxy shall have one vote and a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid Share of which he is the holder but so that no amount paid up or credited as paid up on a Share in advance of calls or instalments is treated for the foregoing purposes as paid up on the Shares. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

A resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting right of all members having the right to vote at the meeting; or
- (d) by a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

8. RECOMMENDATION

The Directors consider that the Repurchase Mandate and the Issue Mandate, the Extension Mandate, the re-election of Directors and the amendment to the Articles of Association are all in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the AGM.

Yours faithfully,
By Order of the Board
Li Zhenjiang
Chairman

This Appendix serves as an explanatory statement, as required to be sent to the Shareholders under the Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 830,000,000 Shares.

Subject to the passing of the Repurchase Mandate and on the basis that no further Shares will be issued or repurchased prior to the date of the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 83,000,000 Shares representing not more than 10% of the total nominal value of the Shares in issue as at the Latest Practicable Date.

2. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Mandate is in the interest of the Company and the Shareholders as a whole. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders.

3. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the memorandum, the Articles of Association and the applicable laws and regulations of the Cayman Islands. Pursuant to the Repurchase Mandate, repurchases will be made out of funds of the Company legally permitted to be utilised in this connection, including profits of the Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles of Association and subject to the Companies Law, out of capital of the Company. The Company may not repurchase Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange prevailing from time to time.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited financial statements contained in the annual report for the year ended 31 December, 2004 in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing positions which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

The Shares first commenced trading on the Stock Exchange on 2 December, 2004. The table below is a summary of the monthly highest and lowest prices in each of the months since the listing of the Shares up to the Latest Practicable Date:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
December 2004	4.900	4.200
January 2005	4.450	3.800
February 2005	4.450	3.975
March 2005	4.425	3.875
April 2005 (up to the Latest Practicable Date)	4.200	3.900

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power under the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands and the regulation set out in the Articles of Association.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their respective Associates, have any present intention to sell any Share to the Company or its subsidiaries under the Repurchase Mandate if such is exercised.

No connected persons of the Company (as defined in the Listing Rules) have notified the Company that they have a present intention to sell any Shares (in issue or to be issued) to the Company or its subsidiaries, nor have they undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

6. TAKEOVERS CODE

If as a result of the exercise of the repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert (within the meaning under the Takeovers Code), could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, 600,000,000 Shares are beneficially owned by Sinovest. The issued share capital of Sinovest is owned as to approximately 79.4% by Forway Investment Limited, with the remaining 18.6% owned by Matkon Limited and 2% by Ms. Liu Zhiqin. Accordingly, Forway Investment Limited is deemed to be interested in the 600,000,000 Shares under the SFO. The entire issued share capital of Forway Investment Limited is owned by Trustcorp Limited in its capacity as the trustee of The Li Family 2004 Trust, a discretionary trust the founder (as defined in the SFO) of which is Mr. Li Zhenjiang and the discretionary objects of which are family members of Mr. Li Zhenjiang (excluding Mr. Li Zhenjiang himself). Accordingly, Trustcorp Limited, Mr. Li Zhenjiang and Forway Investment Limited are respectively deemed to be interested in the 600,000,000 Shares (representing approximately 72.29% of the total issued share capital of the Company as at the Latest Practicable Date) under the SFO. In the event that the Directors exercise in full the power to repurchase Share under the Repurchase Mandate, then (if the present shareholdings remains the same) the attributable interest of Trustcorp Limited, Mr. Li Zhenjiang and Forway Investment Limited would be increased to approximately 80.32% of the issued share capital of the Company. The Directors believe that such an increase will give rise to an obligation to make a mandatory offer under 26 and 32 of the Takeovers Code. The Directors have no present intention to exercise the power to repurchase Shares pursuant to the Repurchase Mandate to such an extent that an obligation to make a mandatory offer under Takeovers Code may arise.

In the event that the Directors exercise in full the power to repurchase Share under the Repurchase Mandate, the number of Shares held by the public may fall below 25%. However, the Directors do not intend to exercise the Repurchase Mandate so as to reduce the issued share capital of the Company in public hands to less than 25% (or the relevant prescribed minimum percentage required by the Stock Exchange).

7. SHARE REPURCHASES MADE BY THE COMPANY

The Company has not repurchased any Shares (whether on the Stock Exchange or otherwise) in the months preceding the Latest Practicable Date since 2 December, 2004 on which the Shares first commenced trading on the Stock Exchange.

The followings are the particulars of the Directors proposed to be re-elected at the AGM to be held on 12 May, 2005:

(1) Ms. WANG Zhihua, aged 49, executive Director

Ms. Wang Zhihua was appointed as executive Director of the Company on 22 July, 2004. She is one of the founders of the Group. Ms. Wang graduated from Hebei Province Finance School in 1978 where she majored in industrial accountancy. She is currently studying for an EMBA at the Yangtze Commercial Institute. Ms Wang is primarily responsible for the Group's financial strategy and management. Prior to joining the Group, Ms. Wang worked at a printers and an agricultural machinery manufacturers. Ms. Wang joined the predecessor of the Group in 1982, where she focused on finance matters. She was Deputy General Manager (finance and management) of Shineway Medical Science & Technology Co., Ltd. immediately prior to the Reorganisation. Ms. Wang has more than 20 years' experience in the Chinese medicine industry with the Group.

Ms. Wang has entered into a service contract with the Company for a term of 2 years from 1 October, 2004. The annual aggregate remuneration payable for the three months ended 31 December, 2004 and the year ending 31 December, 2005 and the nine months ending 30 September, 2006 is approximately RMB100,000, RMB400,000 and RMB315,000. Ms. Wang shall also be entitled to an allowance of 16.5% of her annual salary. In addition, Ms. Wang may be entitled to a discretionary bonus to be determined by the Board (or its duly appointed remuneration committee) at its absolute discretion having regard to the performance of the Group, provided that the aggregate amount of the bonus payable to all Directors of the Company in respect of any financial year shall not exceed 5% of the audited consolidated net profits after taxation but before extraordinary items of the Company for the relevant financial year. There will be no change to Ms. Wong's service terms upon her re-election.

Ms. Wang has not held directorships in any other listed public companies in the last three years. Ms. Wang is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. She does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

(2) Ms. XIN Yunxia, aged 41, executive Director

Ms. Xin Yunxia was appointed as executive Director of the Company on 22 July, 2004. She is one of the founder of the Group. Ms. Xin graduated from Hebei Television University in 1986 with a diploma in business management. She is currently studying for an EMBA at the Yangtze Commercial Institute. Ms. Xin is primarily responsible for the Group's human resources management and production. Ms. Xin joined the predecessor of the Group in 1981, focused on administration. She was the Deputy General Manager (human resources management) of Shineway Medical Science & Technology Co., Ltd. immediately prior to the Reorganisation. Ms. Xin has more than 20 years' experience in business management in the Chinese medicine industry with the Group.

Ms. Xin has entered into a service contract with the Company for a term of 2 years from 1 October, 2004. The annual aggregate remuneration payable for the three months ended 31 December, 2004 and the year ending 31 December, 2005 and the nine months ending 30 September, 2006 is approximately RMB100,000, RMB400,000 and RMB315,000. Ms. Xin shall also be entitled to an allowance of 16.5% of her annual salary. In addition, Ms. Xin may be entitled to a discretionary bonus to be determined by the Board (or its duly appointed remuneration committee) at its absolute discretion having regard to the performance of the Group, provided that the aggregate amount of the bonus payable to all Directors of the Company in respect of any financial year shall not exceed 5% of the audited consolidated net profits after taxation but before extraordinary items of the Company for the relevant financial year. There will be no change to Ms. Xin's service terms upon her re-election.

Ms. Xin has not held directorships in any other listed public companies in the last three years. Ms. Xin is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. She does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

(3) Mr. HOU Jiangtao, aged 38, executive Director

Mr. Hou Jiangtao was appointed as executive Director of the Company. He graduated from Hangzhou Dianzi University in 1989 with a bachelor's degree in management and from Nankai University with a master's degree in economics in 1993. Between 1993 and 1997, Mr. Hou worked in export sales for a clothing import export company in Hebei. Prior to joining the Group, Mr. Hou worked for Hebei Provincial Government based in Hong Kong from 1997 to 2004, primarily involved in advising and assisting PRC enterprises on fund raising, listing transactions and project finance, in which he has accumulated more than 7 years experience. Since joining the Group in August 2004, Mr. Hou is primarily responsible for the Group's business development strategy.

Mr. Hou has entered into a service contract with the Company for a term of 2 years from 1 October, 2004. The annual aggregate remuneration payable for the three months ended 31 December, 2004 and the year ending 31 December, 2005 and the nine months ending 30 September, 2006 is approximately RMB100,000, RMB400,000 and RMB315,000. Mr. Hou shall also be entitled to an allowance of 16.5% of his annual salary. In addition, Mr. Hou may be entitled to a discretionary bonus to be determined by the Board (or its duly appointed remuneration committee) at its absolute discretion having regard to the performance of the Group, provided that the aggregate amount of the bonus payable to all Directors of the Company in respect of any financial year shall not exceed 5% of the audited consolidated net profits after taxation but before extraordinary items of the Company for the relevant financial year. There will be no change to Mr. Hou's service terms upon his re-election.

Mr. Hou has not held directorships in any other listed public companies in the last three years. Mr. Hou is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. He does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

(4) Mr. LI Huimin, aged 37, executive Director

Mr. Li Huimin was appointed as executive Director of the Company on 22 July, 2004. He graduated from Hebei Party School in 1997 where he majored in economic administration. He is primarily responsible for the marketing and sales of the Group's products and, since joining the Group in 1992, focused on sales and marketing. Immediately prior to the Reorganisation, Mr. Li Huimin was the sales and marketing manager of Shineway Medical Science & Technology Co., Ltd.. He has developed a deep understanding of sales management in the PRC Chinese medicine industry with more than 12 years' experience.

Mr. Li Huimin has entered into a service contract with the Company for a term of 2 years from 1 October, 2004. The annual aggregate remuneration payable for the three months ended 31 December, 2004 and the year ending 31 December, 2005 and the nine months ending 30 September, 2006 is approximately RMB100,000, RMB400,000 and RMB315,000. Mr. Li Huimin shall also be entitled to an allowance of 16.5% of his annual salary. In addition, Mr. Li Huimin may be entitled to a discretionary bonus to be determined by the Board (or its duly appointed remuneration committee) at its absolute discretion having regard to the performance of the Group, provided that the aggregate amount of the bonus payable to all Directors of the Company in respect of any financial year shall not exceed 5% of the audited consolidated net profits after taxation but before extraordinary items of the Company for the relevant financial year. There will be no change to Mr. Li's service terms upon his re-election.

Mr. Li Huimin has not held directorships in any other listed public companies in the last three years. Mr. Li Huimin is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. He does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

(5) Mr. LI Kung Man, aged 47, independent non-executive Director

Mr. Li Kung Man was appointed as independent non-executive Director of the Company in November 2004. He is a fellow of the Chartered Association of Certified Accountants in the United Kingdom and an associate of the Hong Kong Institute of Certified Public Accountants. He graduated from Hong Kong Polytechnic University in 1980 with a Higher Diploma in Accountancy (HKICPA/ACCA). Mr. Li Kung Man has accumulated over 20 years' experience in accounting and finance and has previously worked for CLP Holdings Ltd (Stock Code: 002) and PricewaterhouseCoopers. He is currently a director of Free Way International Holdings Limited (惠通國際控股有限公司) (a private company principally engaged in property investment and hotels business) and De Welt Electronics Company Limited (德華電子有限公司) (a private company principally engaged in manufacture and distribution of computers). He is also an independent non-executive director of Guangdong Kelon Electrical Holdings Company Limited (Stock Code: 921), a company listed on the Stock Exchange, and AKM Industrial Company Limited (Stock Code: 8298), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Li Kung Man does not hold any position in any other member of the Group.

Mr. Li Kung Man has entered into a letter of appointment with the Company. The appointment of Mr. Li Kung Man as an independent non-executive Director is for a term of 2 years from 1 November, 2004. The annual aggregate director's fee payable for the two months ended 31 December, 2004 and the year ending 31 December, 2005 and the ten months ending 31 October, 2006 is approximately RMB20,000, RMB120,000 and RMB105,000. There will be no change to Mr. Li's service terms upon his re-election.

Save as aforementioned, Mr. Li Kung Man has not held directorships in any other listed public companies in the last three years. Mr. Li Kung Man is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. He does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

(6) Dr. WANG Jianping, aged 47, independent non-executive Director

Dr. Wang Jianping was appointed as independent non-executive Director of the Company in November 2004. He graduated from Beijing University in 1982 with a bachelor's degree in law and obtained a master's degree in law from Harvest University in 1984. In 1991, Dr. Wang obtained a doctorate degree from Missouri Washington Institute of Law. From 1984 to 1988, Dr. Wang worked on The Commission of Legislative Affairs of the Standing Committee of the National People's Congress, where he was involved in drafting PRC laws and regulations. After Dr. Wang was admitted to the Missouri Bar in 1991, he spent 6 years from 1991 to 1997 worked as a legal practitioner in Missouri, United States. Since 1998, Dr. Wang has worked as a partner of a law firm in the PRC specialising in company reorganisation and listing work.

Dr. Wang has entered into a letter of appointment with the Company. The appointment of Dr. Wang as an independent non-executive Director is for a term of 2 years from 1 November, 2004. The annual aggregate director's fee payable for the two months ended 31 December, 2004 and the year ending 31 December, 2005 and the ten months ending 31 October, 2006 is approximately RMB20,000, RMB120,000 and RMB105,000. There will be no change to Dr. Wang's service terms upon his re-election.

Dr. Wang has not held directorships in any other listed public companies in the last three years. Dr. Wang is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. He does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

(7) Prof. ZHOU Chaofan, aged 69, independent non-executive Director

Prof. Zhou Chaofan was appointed as independent non-executive Director of the Company in November 2004. He graduated from the medicine department of Shanghai Chinese Medicine University in 1963 with a bachelor's degree in Chinese medicine. Prof. Zhou worked at the State Chinese Medicine Research Institute (中國中醫研究院) since 1963, where he is now a member of the Expert Committee and the head of the Basic Administration Department. With more than 40 years experience in Chinese medicine research, Prof. Zhou has research expertise in areas including diabetes, bronchitis and headaches. Prof. Zhou is an executive member of the China Pharmacopodia

Committee, a former Expert Pharmaceutical Examiner for the SDA, a member of the Examination Committee for State Protected Chinese Medicines and vice-editor of the China Chinese Medicine magazine (中國中藥雜誌). Prof. Zhou has also been appointed as a member of the Committee of Chinese People's Political Consultative Conference.

Prof. Zhou has entered into a letter of appointment with the Company. The appointment of Prof. Zhou as an independent non-executive Director is for a term of 2 years from 1 November, 2004. The annual aggregate director's fee payable for the two months ended 31 December, 2004 and the year ending 31 December, 2005 and the ten months ending 31 October, 2006 is approximately RMB20,000, RMB120,000 and RMB105,000. There will be no change to Prof. Zhou's service terms upon his re-election.

Prof. Zhou has not held directorships in any other listed public companies in the last three years. Prof. Zhou is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. He does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.



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)

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at the Gloucester Room, 2/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on 12 May, 2005 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Report of the Directors and Auditors for the year ended 31 December, 2004.
2. To re-elect Directors and to fix the remuneration of Directors.
3. To re-appoint Deloitte Touche Tohmatsu as Auditors and authorise the Directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass (with or without modification) the following resolution as an ordinary resolution:

“THAT:-

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the power of the Company to repurchase shares of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange (“Listing Rules”) as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which the Directors of the Company are authorised to repurchase pursuant to the approve in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

- (c) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
 - (iii) the date on which the authority set out in this resolution is revoked, varied or renewed by an ordinary resolution of the shareholders in general meeting of the Company.”

5. As special business, to consider and, if thought fit, pass (with or without modification) the following resolution as an ordinary resolution:

“THAT:-

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the power of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than (i) a Right Issue (as hereinafter defined); (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company; (iii) an issue of shares upon the exercise of the subscription or conversion rights under the terms of any warrants or any securities of the Company which are convertible into shares of the Company; or (iv) an issue of shares as scrip dividends pursuant to the Articles of Association of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the issue share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution, “Relevany Period” means the period from the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied or renewed by an ordinary resolution of the Shareholders in general meeting of the Company.

“Right issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

6. As special business, to consider and, if thought fit, pass (with or without modification) the following resolution as an ordinary resolution:

“**THAT** subject to the passing of the Resolution nos. 4 and 5 set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares pursuant to Resolution no.5 set out in the notices convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution no.4 set out in the notice convening this meeting, provided that such extended amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the said Resolution.”

7. As special business, to consider and, if thought fit, pass (with or without modification) the following resolution as special resolution:

“**THAT** Article 87(1) of the Articles of Association of the Company be deleted in its entirety and replaced by the following:

“Notwithstanding any other provisions in the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to and not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.””

By Order of the Board
Li Zhenjiang
Chairman

Hong Kong, 19 April, 2005

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the meeting (or any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the Company's principal place of business in Hong Kong at Suite 5201, 52nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. The register of members of the Company will be closed from 9 May, 2005 Monday to 12 May, 2005 Thursday, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's principal place of business in Hong Kong at Suite 5201, 52nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 6 May, 2005 Friday.
4. With regard to item no.2 in this notice, the Board of Directors of the Company proposes that the retiring Directors namely, Ms. Wang Zhihua, Ms. Xin Yunxia, Mr. Hou Jiangtao, Mr. Li Huimin, Mr. Li Kung Man, Dr. Wang Jianping and Prof. Zhou Chaofan be re-elected as Directors of the Company. Details of these Directors are set out in Appendix II on p.10 to p.14 of the circular to shareholders dated 19 April, 2005.
5. As at the date of this notice, the executive Directors of the Company are Mr. Li Zhenjiang, Ms. Wong Zhihua, Ms. Xin Yunxia, Mr. Hou Jiangtao and Mr. Li Huimin and the independent non-executive Directors of the Company are Mr. Li Kung Man, Dr. Wang Jianping and Prof. Zhou Chaofan.



CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED

中國神威藥業集團有限公司

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FORM OF PROXY

Form of proxy for use at the annual general meeting ("AGM") of China Shineway Pharmaceutical Group Limited ("the Company") convened at the Gloucester Room, 2/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Thursday, the 12th day of May 2005.

I/We (Note 1) _____

of _____

being the registered holder(s) of (Note 2) _____ shares of HK\$0.10 each in the capital of the Company,

HEREBY APPOINT (Note 3) _____ (Name)

of _____ (Address)

or failing him, the Chairman of the meeting as my/our proxy to attend for me/us the AGM (or at any adjournment thereof) of the Company to be held at the Gloucester Room, 2/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Thursday, the 12th day of May 2005 at 10:30 a.m. (or at any adjournment thereof) at the AGM in respect of the resolutions set out hereunder to vote for me/us and in my/our name(s) as hereunder indicated or, if no such indication is given, as my/our proxy thinks fit.

		FOR (Note 4)	AGAINST (Note 4)
1.	To receive and consider the financial statements and the reports of the directors and auditors for the year ended 31 December, 2004.		
2.	(i) (a) To re-elect Ms. Wang Zhihua as director.		
	(b) To re-elect Ms. Xin Yunxia as director.		
	(c) To re-elect Mr. Hou Jiangtao as director.		
	(d) To re-elect Mr. Li Huimin as director.		
	(e) To re-elect Mr. Li Kung Man as director.		
	(f) To re-elect Dr. Wang Jianping as director.		
	(g) To re-elect Prof. Zhou Chaofan as director.		
	(ii) To fix the remuneration of the Directors.		
3.	To re-appoint Deloitte Touche Tohmatsu as auditors and to authorize the directors to fix their remuneration (Ordinary resolution under item 3 of notice of AGM).		
4.	To grant a general mandate to the directors to repurchase shares of the Company (Ordinary resolution under item 4 of notice of AGM).		
5.	To grant a general mandate to the directors to issue additional shares (Ordinary resolution under item 5 of notice of AGM).		
6.	To extend the general mandate granted under resolution 5 (Ordinary resolution under item 6 of notice of AGM).		
7.	To approve the amendment to the Articles of Association (Special resolution under item 7 of notice of AGM).		

Dated the _____ day of _____ 2005. Shareholder's signature (Note 5): _____

Contact Telephone No: _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of shares of HK\$0.10 each of the Company to which this proxy relates and is registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate all the shares of the Company registered in your name(s).
3. Please insert the full name and address of the proxy desired in the space provided. **IF NO NAME IS INSERTED, THE CHAIRMAN OF THE MEETING WILL ACT AS YOUR PROXY.** A Shareholder having more than one Share in the Company may appoint one or more proxies to attend in his stead.
4. **IMPORTANT: IF YOU WISH TO VOTE FOR ANY RESOLUTION, PLEASE TICK (✓) IN THE BOX MARKED "FOR" BESIDE THE APPROPRIATE RESOLUTION. IF YOU WISH TO VOTE AGAINST ANY RESOLUTION, PLEASE TICK (✓) IN THE BOX MARKED "AGAINST" BESIDE THE APPROPRIATE RESOLUTION.** Failure to complete the boxes will entitle your proxy to cast his vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than those referred to in the notice convening the meeting.
5. This form of proxy must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer, attorney or other person duly authorized to sign the same.
6. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either in person or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
7. To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company's principal place of business in Hong Kong at Suite 5201, 52nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or adjourned meeting as the case may be).
8. The proxy needs not be a member of the Company but must attend the meeting in person to represent you.
9. Any alternation made in this form of proxy must be initialled by the person who signs it.