
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 licensed 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 accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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,
AMENDMENTS 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 Suite 5201, 52nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 26 April 2006 at 10:30 a.m. is set out on pages 16 to 20 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, 29 March 2006

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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 Suite 5201, 52nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 26 April 2006 at 10:30 a.m., notice of which is set out on pages 16 to 20 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”	the board of Directors of the Company
“Code”	the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules
“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”	24 March 2006, being the latest practicable date prior to the printing of this circular for ascertaining the information contained in this circular

DEFINITIONS

“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, reference in this circular to the PRC do not apply to Hong Kong, Macau Special Administrative Region of the PRC or Taiwan)
“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 5 of the notice of 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, a company incorporated in the British Virgin Islands with limited liability and 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 dollars, lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



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. LI Huimin

Mr. HUNG Randy King Kuen

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, 52nd Floor

Central Plaza

18 Harbour Road

Wanchai

Hong Kong

Company Secretary

Mr. HUEN Po Wah

Hong Kong, 29 March 2006

To the Shareholders,

Dear Sir or Madam,

**PROPOSALS FOR GENERAL MANDATES
TO REPURCHASE SHARES AND TO ISSUE NEW SHARES,
RE-ELECTION OF DIRECTORS,
AMENDMENTS 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 the proposals for (i) the grant of Repurchase Mandate, (ii) the grant of the Issue Mandate, (iii) the grant of Extension Mandate, (iv) the re-election of Directors and (v) the amendments to the Articles of Association.

LETTER FROM THE BOARD

2. GENERAL MANDATE TO REPURCHASE SHARES

An ordinary resolution of the Company was passed on 12 May 2005 whereby a general mandate was given to the Directors to repurchase Shares.

Such general mandate will lapse at the conclusion of the forthcoming 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 under the Listing Rules to be sent to Shareholders to provide the requisite information of the Repurchase Mandate is set out in the Appendix I to this circular.

3. GENERAL MANDATE TO ISSUE NEW SHARES

Ordinary resolutions of the Company were also passed on 12 May 2005 whereby (i) a general mandate was given to the Directors to allot, issue and deal with Shares and (ii) such a general mandate was extended by way of adding thereto the Shares repurchased by the Company pursuant to the general mandate to repurchase Shares granted to the Directors on 12 May 2005.

Such general mandates will lapse at the conclusion of the forthcoming 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 of 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 of the resolution approving such an extension (the “Extension Mandate”).

4. RE-ELECTION OF DIRECTORS

The Board currently consists of eight Directors, namely Mr. LI Zhenjiang, Ms. WANG Zhihua, Ms. XIN Yunxia, Mr. LI Huimin, Mr. HUNG Randy King Kuen, Mr. LI Kung Man, Dr. WANG Jianping and Prof. ZHOU Chaofan.

Pursuant to Article 87(1) of the Articles of Association, Mr. LI Zhenjiang, Ms. WANG Zhihua and Ms. XIN Yunxia shall retire by rotation at the AGM. Pursuant to Article 86(3) of the Articles of Association, Mr. HUNG Randy King Kuen will hold office until the AGM. These retiring Directors, being eligible for re-election, offer themselves for re-election.

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

LETTER FROM THE BOARD

5. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

To comply with the Code and the Listing Rules, the Directors propose to amend Articles 66, 68, 86(3), 86(5) and 87(2), the proposed amendments of which have been marked up for ease of reference, as follows:

“Article 66 Voting

66. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a show of hands every Member present in person (or being a corporation, is present by a duly authorised representative), or by proxy shall have one vote and on 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 share. Notwithstanding anything contained in these 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. A resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange or (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 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 representing not less than one-tenth of the total voting rights 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; or
- (e) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.”

LETTER FROM THE BOARD

“Article 68 Voting

68. If a poll is duly demanded the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. ~~There shall be no requirement for the chairman to disclose the voting figures on a poll.~~ The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Designated Stock Exchange.”

“Article 86(3) Board of Directors

(3) The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. ~~Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.~~ Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) and shall then be eligible for re-election.”

“Article 86(5) Board of Directors

(5) The Members may, at any general meeting convened and held in accordance with these Articles, by ~~special resolution~~ ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).”

“Article 87(2) Retirement of Directors

(2) A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. ~~Any Director appointed pursuant to Article 86(2) or Article 86(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.”~~

LETTER FROM THE BOARD

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 amendments to the Articles of Association is set out on pages 16 to 20 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.

7. RIGHT TO DEMAND A POLL

Pursuant to existing Article 66 of the Articles of Association, at any general meeting on a show of hands every member present in person (or being a corporation, is present by a duly authorized 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 authorized representative shall have one vote for every full 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.

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 authorized 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 authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by any member or members present in person or, in the case of a member being a corporation, by its duly authorized 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 the shares conferring that right.

LETTER FROM THE BOARD

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.

8. RECOMMENDATION

The Directors consider that the Repurchase Mandate, the Issue Mandate, the Extension Mandate, the re-election of Directors and the amendments to the Articles or 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

The 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 Share Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 827,000,000 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 82,700,000 Shares representing not more than 10% of the total nominal value of the Shares in issue as at the Latest Practicable Date.

2. REASON FOR REPURCHASES

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 its memorandum of association, 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 such purpose of the repurchase or, if authorized 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 authorized 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 2005 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 the gearing positions which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
March 2005	4.2250	3.8750
April 2005	4.2000	3.9000
May 2005	4.1000	3.3000
June 2005	3.7500	3.2500
July 2005	3.4500	2.5000
August 2005	3.1750	2.0750
September 2005	3.4000	2.7750
October 2005	3.5000	3.1500
November 2005	3.9500	3.0750
December 2005	4.4750	3.5750
January 2006	4.3750	3.9000
February 2006	5.8000	4.0000
March 2006 (up to the Latest Practicable Date)	6.0500	5.0500

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 under the Repurchase Mandate if such is approved by the Shareholders and exercised by the Board.

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 Share (in issue or to be issued) to the Company, nor have they undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders and exercised by the Board.

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, which in turn is owned as to approximately 79.4% by Forway Investment Limited. 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 72.55% 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 Shares 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 80.61% of the issued share capital of the Company. The Directors believe that such an increase will not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeovers Code.

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 from time to time).

7. SHARE REPURCHASE MADE BY THE COMPANY

The Company has not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

APPENDIX II DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

The following are the particulars of the Directors proposed to be re-elected at the AGM to be held on 26 April 2006:

(1) Mr. LI Zhenjiang, aged 50, executive Director

Mr. LI Zhenjiang has been an executive Director of the Company since 15 October 2002 and is one of the founders of the Group. Mr. LI obtained a diploma in Chemical Mechanics from Hebei Province Chemical Industrial Institute in 1982. He is currently studying for an EMBA at the Yangtze Commercial Institute. Mr. LI joined the predecessor of the Group in 1974 and has been the Chairman and President of the Group and its predecessor since 1984 with responsibility for business development and strategy. He has more than 20 years' experience in the operation and management of modern Chinese medicine enterprises. Mr. LI takes charge of the overall management of the Group and is also specifically responsible for the Group's research and development activities. Mr. LI is a Representative to the 10th National People's Congress and to the 7th, 8th and 9th Hebei Province People's Congress. He has been named as an Outstanding Entrepreneur in the PRC Pharmaceutical Industry in 1994 and as an Academician of Asian Knowledge Management Association in 2005 and has received a National Wu Yi Labour Award special subsidies of the State Council. Mr. LI is vice-chairman of the PRC Chinese Medicine Association. Mr. LI is a director of several members of the Group.

Mr. LI has entered into a service contract with the Company for a term of 2 years from 1 October, 2004. The annual aggregate remuneration and bonus payable for the year ended 31 December 2005 and the year ending 31 December 2006 are approximately RMB1,541,200 (approximately equivalent to HK\$1,496,310) and RMB1,603,260 (approximately equivalent to HK\$1,571,126) respectively. According to the service contract of Mr. LI, he is entitled to an annual director's fee of RMB50,000 and an annual salary of RMB800,000, both of which will be adjusted as from 1 January 2006 at an incremental rate of 5%. Mr. LI is also entitled to an allowance of 16.5% of his annual salary and a discretionary bonus to be determined by the Board at the Board's absolute discretion (and approved by its duly appointed remuneration committee) having regard to the performance of the Group, provided that the aggregate amount of the bonus payable to all Directors 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 until the date of termination of his service contract.

Save as disclosed above, Mr. LI has not held directorships in any other listed public companies in the last three years and has not held any other position with the Company and other members of the Group. Mr. LI is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. LI is deemed to be interested 600,000,000 Shares, representing approximately 72.55% of the total issued share capital of the Company within the meaning of Part XV of the SFO.

APPENDIX II DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

In relation to the re-election of Mr. LI Zhenjiang as Director, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the Shareholders.

(2) Ms. WANG Zhihua, aged 50, executive Director

Ms. WANG Zhihua has been an executive Director of the Company since 22 July 2004 and is one of the founders of the Group. Ms. WANG graduated from Hebei Province Finance School in 1978 where she majored in industrial accountancy. Ms. WANG is primarily responsible for the Group's financial strategy and management. 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 industry with the Group. Ms. WANG is a director of several members of 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 year ended 31 December 2005 and the year ending 31 December 2006 are approximately RMB702,400 (approximately equivalent to HK\$681,941) and RMB722,520 (equivalent to HK\$716,038) respectively. According to the service contract of Ms. WANG, she is entitled to an annual director's fee of RMB50,000 and an annual salary of RMB350,000, both of which will be adjusted as from 1 January 2006 at an incremental rate of 5%. Ms. WANG is also entitled to an allowance of 16.5% of her annual salary and a discretionary bonus to be determined by the Board at the Board's absolute discretion (and approved by its duly appointed remuneration committee) having regard to the performance of the Group, provided that the aggregate amount of the bonus payable to all Directors 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. WANG's service terms upon her re-election until the date of termination of her service contract.

Save as disclosed above, Ms. WANG has not held directorships in any other listed public companies in the last three years and has not held any other position with the Company and other members of the Group. 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.

In relation to the re-election of Ms. WANG Zhihua as Director, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the Shareholders.

(3) Ms. XIN Yunxia, aged 42, executive Director

Ms. XIN Yunxia has been an executive Director of the Company since 22 July 2004 and is one of the founder of 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 operation. 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 industry with the Group. Ms. XIN is a director of several members of 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 and bonus payable for the year ended 31 December 2005 and the year ending 31 December 2006 are approximately RMB702,400 (approximately equivalent to HK\$681,941) and RMB722,520 (approximately equivalent to HK\$716,038) respectively. According to the service contract of Ms. XIN, she is entitled to an annual director's fee of RMB50,000 and an annual salary of RMB350,000, both of which will be adjusted as from 1 January 2006 at an incremental rate of 5%. Ms. XIN is also entitled to an allowance of 16.5% of her annual salary and a discretionary bonus to be determined by the Board at the Board's absolute discretion (and approved by its duly appointed remuneration committee) having regard to the performance of the Group, provided that the aggregate amount of the bonus payable to all Directors 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 until the date of termination of her service contract.

Save as disclosed above, Ms. XIN has not held directorships in any other listed public companies in the last three years and has not held any other position with the Company and other members of the Group. 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.

In relation to the re-election of Ms. XIN Yunxia as Director, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the Shareholders.

(4) Mr. HUNG Randy King Huen, aged 40, executive Director

Mr. HUNG Randy Kin Huen was appointed as an executive Director of the Company on 7 June 2005. He is a fellow certified public accountant and holds a bachelor's degree of science in accounting and a certificate of programming and data processing from the University of Southern California, a certificate of China Accounting, Finance, Taxation and Law from the Chinese University of Hong Kong and a Hong Kong Securities Institute Specialist Certificate in corporate finance. He is primarily responsible for corporate development and investor relation of the Group. He was the executive director and chief financial officer of T S Telecom Technologies Limited (Stock Code: 8003) prior to July, 2004. Mr. HUNG is currently an independent non-executive director of ZZNode Holdings Company Limited (Stock Code: 2371), Zhongtian International Limited (Stock Code: 2379) and Zhongyu Gas Holdings Limited (Stock Code: 8070). Mr. HUNG is a fellow of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants, deputy chairman of training committee of the Hong Kong Institute of Directors and a member of the Hong Kong Securities Institute. Mr. HUNG is a director of several members of the Group.

Mr. HUNG has entered into a service contract with the Company for a term of 3 years from 7 June 2005. The annual aggregate remuneration payable for the year ended 31 December 2005 and for the year ending 31 December 2006 are approximately HK\$892,240 and HK\$1,430,000. According to the service contract of Mr. HUNG, he is entitled to an annual director's fee of HK\$50,000 and an annual salary of HK\$1,380,000. Mr. HUNG is also entitled to a discretionary bonus to be determined by the Board at the Board's absolute discretion (and approved by its duly appointed remuneration committee) having regard to the performance of the Group, provided that the aggregate amount of the bonus payable to all Directors 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. HUNG's service terms upon his re-election until the date of termination of his service contract.

Save as disclosed above, Mr. HUNG has not held directorships in any other listed public companies in the last three years and has not held any other position with the Company or other members of the Company. Mr. HUNG is not connected with any other directors, senior management, substantial or controlling shareholders of the Company and is interested in 50,000 Shares of the Company within the meaning of Part XV of the SFO.

In relation to the re-election of Mr. HUNG Randy King Kuen as Director, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the Shareholders.

NOTICE OF ANNUAL GENERAL MEETING



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 the Annual General Meeting of the Company will be held at Suite 5201, 52nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 26 April 2006 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 2005.
2. To declare a final dividend and special dividend for the year ended 31 December 2005.
3. To re-elect directors and to authorize the board of directors to fix the remuneration of Directors.
4. To re-appoint Deloitte Touche Tohmatsu as auditors and authorize the board of directors to fix their remuneration.
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 (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers 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 (“Listing Rules”) or of any other stock exchange 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 authorized to repurchase pursuant to the approval 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 of the Company in general meeting.”
6. 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 powers 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 authorize 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 powers 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, other than pursuant to (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 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

- (d) 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 or varied or renewed by an ordinary resolution of the shareholders of the Company in general meeting.

“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).”

7. 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. 5 and 6 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. 6 set out in the notice 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. 5 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 passing of this Resolution.”

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

“**THAT** the Articles of Association of the Company be and are hereby amended in the following manner:

- (a) Article 66

- (1) by inserting the words “voting by way of a poll is required by the rules of the Designated Stock Exchange or” after the words “a show of hands unless” in the third sentence of the Article 66;

NOTICE OF ANNUAL GENERAL MEETING

(2) by deleting the full stop at the end of the paragraph (d) of Article 66 and substituting therefor the word “; or”; and

(3) by adding the following new paragraph immediately after paragraph (d) of Article 66:

“(e) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.”;

(b) Article 68

by deleting the last sentence of Article 68 in its entirety and substituting therefor the following sentence:

“The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Designated Stock Exchange.”;

(c) Article 86(3)

by deleting the last sentence of Article 86(3) in its entirety and substituting therefor the following sentence:

“Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) and shall then be eligible for re-election.”;

(d) Article 86(5)

by deleting the words “special resolution” in the second line of Article 86(5) and substituting therefor the words “ordinary resolution”; and

(e) Article 87(2)

by deleting the last sentence of Article 87(2) in its entirety.”

By Order of the Board

HUEN Po Wah

Company Secretary

Hong Kong, 29 March 2006

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 Wednesday, 19 April 2006 to Wednesday, 26 April 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and special dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with Hong Kong Branch Share Registrar of the Company, 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 4:00 p.m. on Tuesday, 18 April 2006.
4. With regard to item no. 3 in this notice, the board of directors of the Company proposes that the retiring Directors namely, Mr. LI Zhenjiang, Ms. WANG Zhihua, Ms. XIN Yunxia and Mr. HUNG Randy King Kuen be re-elected as Directors of the Company. Details of these Directors are set out in Appendix II to the circular to shareholders of the Company dated 29 March 2006.
5. As at the date of this notice, the executive directors of the Company are Mr. LI Zhenjiang, Ms. WANG Zhihua, Ms. XIN Yunxia, Mr. LI Huimin, Mr. HUNG Randy King Kuen and the independent non-executive directors of the Company are Mr. LI Kung Man, Dr. WANG Jianping and Prof. ZHOU Chaofan.