



中國神威藥業集團有限公司
China Shineway Pharmaceutical Group Limited



2006 Interim Results Presentation



Company Overview



- **HIGHEST** in operating profit among all HKEX listed pharmaceutical companies in 2004 and 2005
- The **LARGEST** Chinese medicine injection and soft capsule manufacturer in China (by sales volume & production volume)
- Hang Seng Composite Index constituent

Soft Capsules Plant



Extraction Plant

Beijing Injections Plant



Shijiazhuang Injections Plant

Major Achievements – 1H 2006



- Continued to achieve profit growth – operating profit surged by 9.6% and profit attributable to shareholders increased 1.4%
- Ranked No. 2 of most profitable Chinese medicine enterprises in China
- Received numerous awards including “2005 Top Ten Most Profitable Enterprises in Chinese Medicine Manufacturing Industry”, “Top Ten Most Admirable Pharmaceutical Companies in China”, and “China 500 Most Valuable Brand”

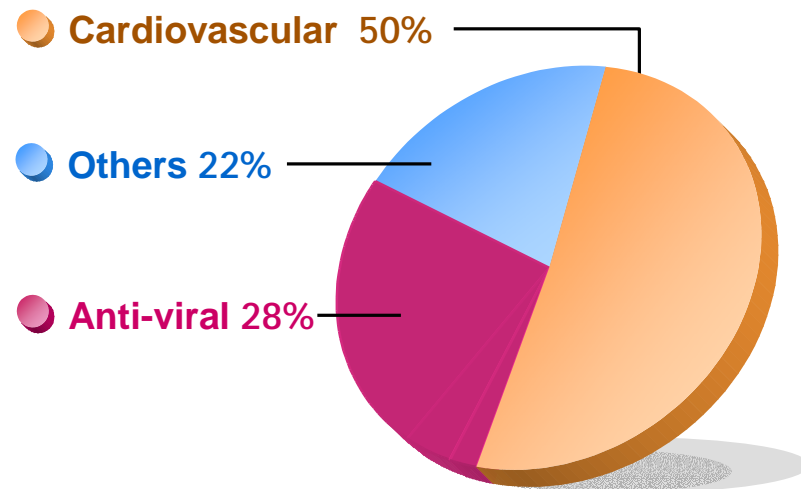
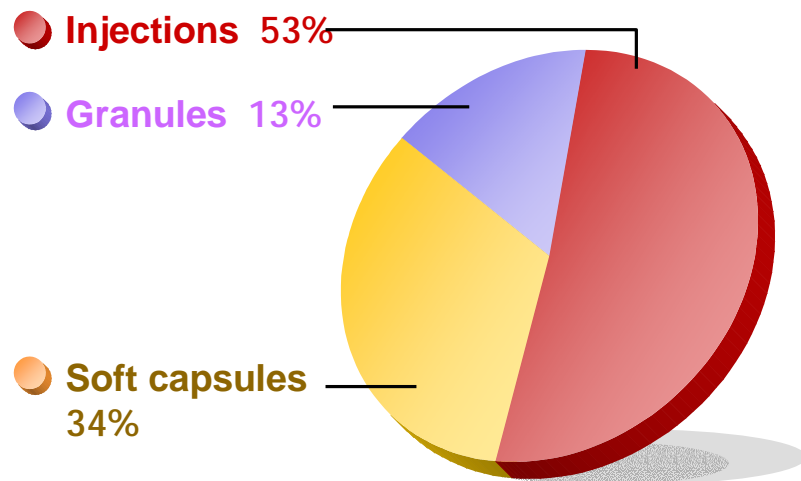
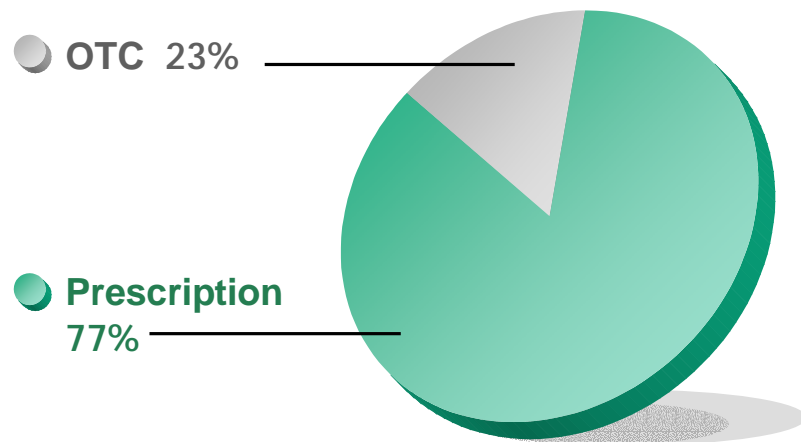
2006 Interim Results Highlight



RMB Mn	2006 (6 mth)	2005 (6 mth)	Growth
Turnover	418.3	371.7	+12.5%
Gross Profit	291.5	251.7	+15.8%
Operating Profit	199.5	182.0	+9.6%
Profit Attributable to Shareholders	173.2	170.7	+1.4%
Basic EPS (RMB cents)	21	21	N.A
DPS (RMB cents) Interim	10	10	N.A



Turnover Breakdown - 30 June 2006



Highlight of Major Products



Core Products

Shen Mai Injection – *Cardiovascular*

Qing Kai Ling Injection – *Anti-viral*

Wufu Xin Nao Qing Soft Capsule – *Cardiovascular*

Emerging Products

Huo Xiang Zheng Qi Soft Capsule - *Digestive*

Huang Qi Injection – *Cardiovascular*

Qing Kai Ling Soft Capsule – *Anti-viral*

Shu Xue Ning Injection – *Cardiovascular*

Year 2006 First 6 Month Sales	YOY Change
84.0	-19.7%
98.0	+21.1%
70.0	+9.9%
51.8	+61.9%
16.4	+50.3%
6.5	+0.7%
15.8	332.8%

Gross Profit Margin – 30 June 2006



- Injection products enjoy the highest gross margin due to its higher technology level on manufacturing and high entry barrier

- Margin expansion attributable to:

- ✓ Enhanced product mix
- ✓ Effective cost control
- ✓ High extraction rate
- ✓ High production yield
- ✓ Economies of scale

Gross Margins

	2006 (6 mth)	2005 (6 mth)
Overall	69.7%	67.7%
Injections	75.6%	74.4%
Soft Capsules	68.2%	64.3%
Granules	47.8%	45.9%

Effective Cost Structure



	<u>First 6 months of 2006</u>		<u>First 6 months of 2005</u>	
	RMB (Mn)	As a % of turnover	RMB (Mn)	As a % of turnover
Distribution costs	75.8	18.1%	48.3	13.0%
Administrative expenses	29.1	7.0%	28.0	7.5%
Income tax	26.3	6.3%	5.7	1.5%
Total expenses	131.2	31.4%	82.0	22.11%

Capital Expenditures Plan



	<u>Capital Investment</u>	<u>Completion</u>
Construction of new logistic centre	Rmb 50 mil	Late 2006
Construction of new injection workshop	Rmb110 mil	Early 2008

Strong Financial Position



	<u>30 June 2006</u> <i>RMB (Mn)</i>	<u>31 Dec 2005</u> <i>RMB (Mn)</i>
Cash and bank Balances	1,466.8	1,347.6
Accounts Receivable	3.2	3.0
Bills Receivable	65.6	134.3
Bank Loan	-	-

Other Key Ratios



As at 30 June

A/R + Bank bills (RMB mn)

2006

2005

68.9

194.4

A/R + bills Turnover (days)

44.9

95.1

FG Inventory (RMB mn)

29.2

8.8

FG Turnover (days)

30.2

11.9

Dividend Policy



- Paid interim dividends of RMB10 cents per share, representing a payout of about 48% of net earnings
- Intend to adopt a payout ratio of not less than 40% of annual net earnings payable in September and June each year

Research & Development



- 22 new products under development, including:
 - 10 for cardiovascular diseases
 - 2 for digestive system illness
 - 3 for anti-viral treatment
- Obtained one new patent certificate for a medicine
- Establishing postdoctoral research workstation



Production Capacity



Annual Capacity

Extraction

5,400
tonnes

Injections

1.2 billion vials

Soft capsules

3.5 billion capsules

Granules

1.5 billion bags

Growth Strategies (1)



Product mix enhancement

- Continue to strengthen revenue contribution of core products
- Nurture emerging products to broaden profit portfolio

Rationalization of distribution channel

- Fostering strategic cooperation with cross-regional distributors to establish a distribution network backbone

Strengthening support at point of sale

- Enhance development of professional team to further support point of sales at targeted hospitals, pharmacies and the “Third Point of Sales Zones”

Growth Strategies (2)



Regional Expansion Strategies

- Further strengthen the foothold in markets such as northern, northeastern and northwestern China
- Explore opportunities in southern, central and eastern China emerging markets which have strong demand for Chinese Medicines

Product R&D

- Continue to focus in the development of products for the treatment of chronic diseases that commonly affect the middle and old ages, anti-viral diseases and diseases that mostly affect children

Acquisition opportunities

- Continue to evaluate suitable acquisition opportunities in a prudent manner