



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

Interim Results Presentation



2007

Major Achievements – 1H 2007



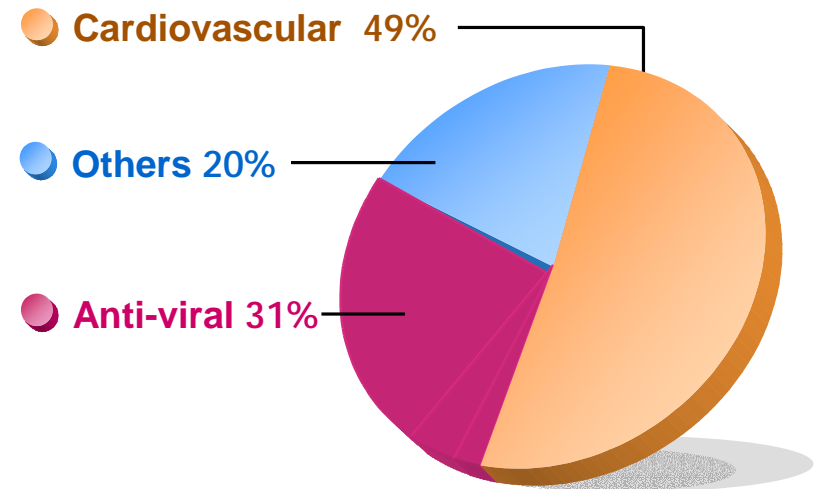
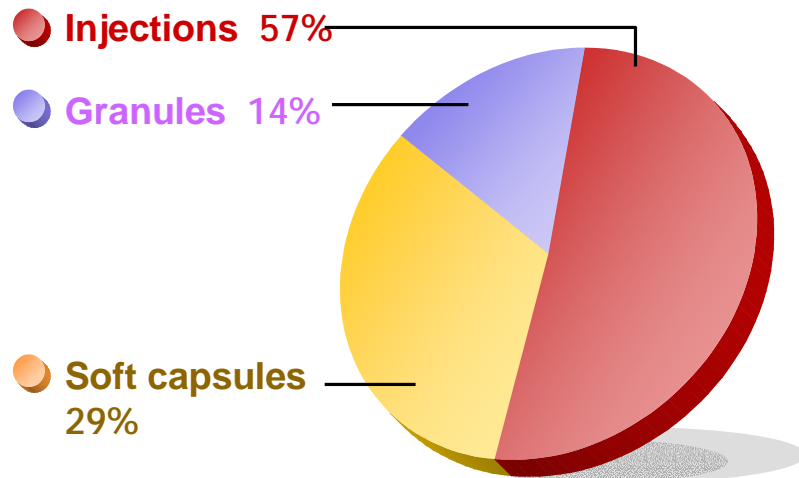
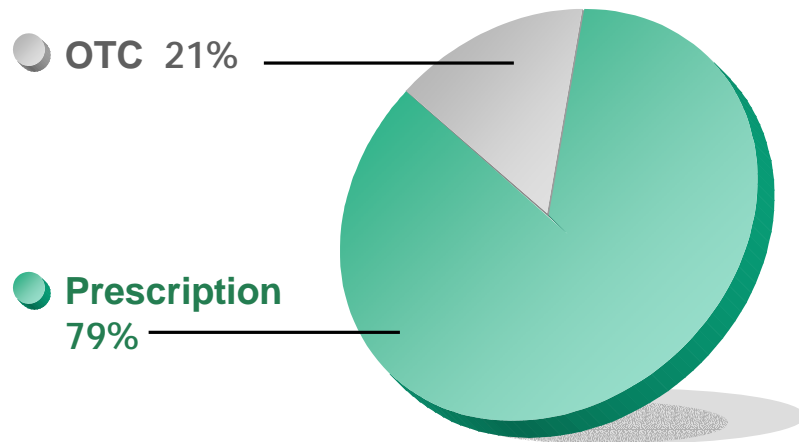
- Continued to achieve profit growth – profit attributable to shareholders increased by 14.5%
- Capital investments are progressing as planned
- Received 3 invention patents

2007 Interim Results Highlight



RMB (Mn)	2007 (6 mths)	2006 (6 mths)	Growth
Turnover	461.5	418.3	+10.3%
Gross Profit	334.0	291.5	+14.6%
Profit Attributable to Shareholders	198.3	173.2	+14.5%
Basic EPS (RMB cents)	24	21	+14.3%
DPS (RMB cents) Interim	11	10	+10.0%

Turnover Breakdown - 30 June 2007



Highlight of Major Products



Core Products

Shen Mai Injection – *Cardiovascular*

Qing Kai Ling Injection – *Anti-viral*

Wu Fu Xin Nao Qing Soft Capsule – *Cardiovascular*

Emerging Products

Shu Xue Ning Injection – *Cardiovascular*

Huo Xiang Zheng Qi Soft Capsule - *Digestive*

Huang Qi Injection – *Cardiovascular*

Qing Kai Ling Soft Capsule – *Anti-viral*

Year 2007
First 6 Month
Sales

YOY
Change

RMB (Mn)

79.0 -6.0%

114.1 +16.5%

66.2 -5.3%

40.1 +154.1%

38.5 -25.7%

12.2 -25.6%

10.9 +68.1%

Gross Profit Margin – 30 June 2007



- 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

	2007 (6 mths)	2006 (6 mths)
Overall	72.4%	69.7%
Injections	76.2%	75.6%
Soft Capsules	76.0%	68.2%
Granules	50.8%	47.8%

Effective Cost Structure



	<u>First 6 months of 2007</u>		<u>First 6 months of 2006</u>	
	RMB (Mn)	As a % of turnover	RMB (Mn)	As a % of turnover
Distribution costs	98.0	21.2%	75.8	18.1%
Administrative expenses	57.7	12.5%	29.1	7.0%
Income tax	36.7	8.0%	26.3	6.3%

* Increase in administrative expenses include RMB21,241,000 of loss from foreign currency translation

Capital Investment Plan



	<u>Capital Investments</u>	<u>Completion</u>
R&D centre	Rmb 34 mil	Early 2008
Quality inspection center	Rmb 18 mil	Late 2007
ERP Implementation	Rmb 7 mil	Late 2007
New injection workshop	Rmb 110 mil	Early 2008

Strong Financial Position



	<u>30 June 2007</u> <i>RMB (Mn)</i>	<u>31 Dec 2006</u> <i>RMB (Mn)</i>
Cash and bank Balances	1,562.0	1582.0
Accounts Receivable	6.2	3.3
Bills Receivable	113.8	63.3
Inventory	56.9	38.2
Bank Loan	-	-

Dividend Policy



- Declared interim dividends of RMB11 cents per share, representing a payout of about 46% 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



- 19 new products under development, including:
 - 10 for cardiovascular diseases
 - 2 for digestive system illness
 - 3 for anti-viral treatment
- Obtained 3 new invention patents
- Construction of new R&D Centre is progressing as planned



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