



中國神威藥業集團有限公司

China Shineway Pharmaceutical Group Limited



Annual Results 2007

Results Highlight - 2007



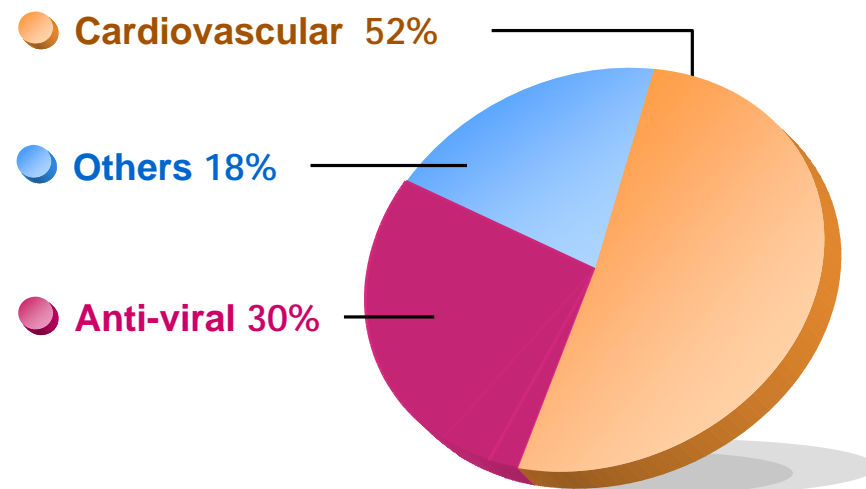
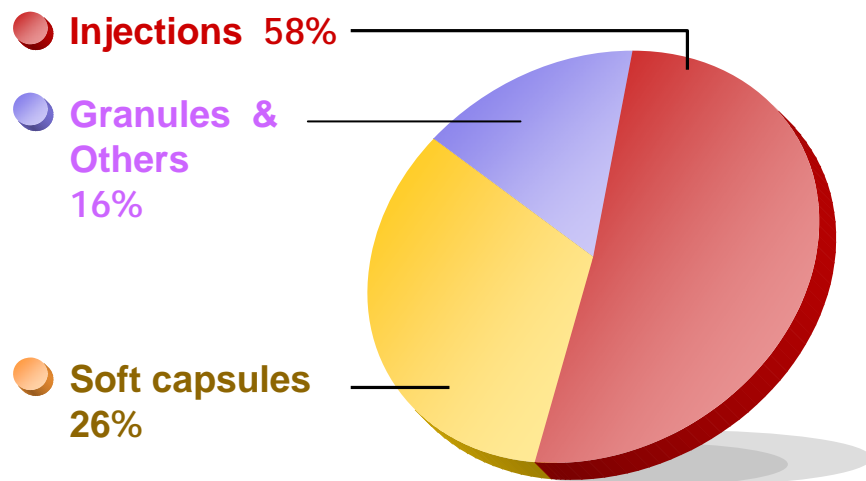
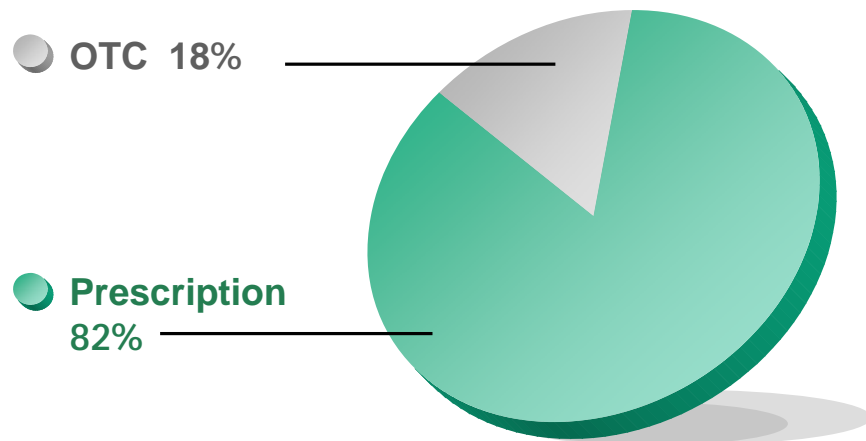
<i>RMB Million</i>	2007	2006	Growth
Turnover	1,012.9	841.5	+20.4%
Gross Profit	738.0	592.3	+24.6%
Operating Profit	399.0	340.7	+17.1%
Profit Attributable to Shareholders	490.6	333.0	+47.3%
Basic EPS (Cents)	59.0	40.0	+47.3%
Final & Special DPS (Cents)	27.0	12.0	+125.0%
Total dividends / share (Cents)	38.0	22.0	+72.7%

Major Achievements in 2007



- **Asia's Best 200 Under a Billion for 2007 - Forbes Asia Magazine**
- **Completed construction of new injection workshop**
- **Obtained 4 invention patents on potential new products**
- **Completed construction of new Modern Technology and Quality Center**

2007 Turnover Breakdown



* These charts are based on revenue for the year ended December 31, 2007

Sales of Major Products



RMB Million

Core Products

Shen Mai Injection – *Cardiovascular*

Qing Kai Ling Injection – *Anti-viral*

Wufu 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
Sales

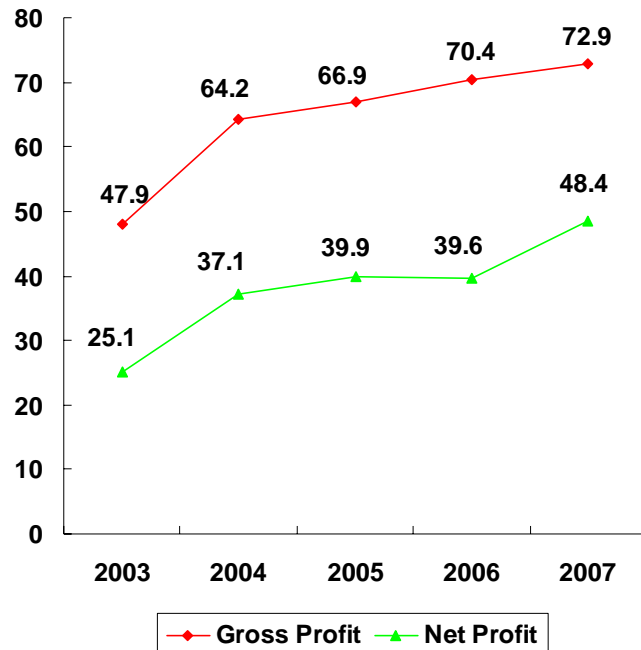
Changes

187.4	+4.1%
251.0	+19.8%
150.2	+5.4%
92.1	+176.7%
50.5	-8.1%
29.4	-3.1%
24.0	+78.2%

Gross Margin & Profitability



%



Increases in gross margin are mainly attributable to:

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

Gross Margins

	2007	2006
Injections	77.4%	77.6%
Soft Capsules	75.7%	69.4%
Granules	50.2%	45.3%

Cost Structure



	<u>2007</u>		<u>2006</u>	
	RMB (Mn)	As a % of turnover	RMB (Mn)	As a % of turnover
Distribution costs	258.1	25.5%	183.8	21.8%
Administrative Expenses*	80.9	8.0%	67.7	8.0%
Income tax **	85.3	-	54.1	-

* Include R&D expenses of \$4,930,000

** PRC tax rate around 15% till 2008

Solid Financial Position



	2007 <i>RMB(Mn)</i>	2006 <i>RMB(Mn)</i>
Cash & Bank balances	1,678.4	1,582.0
Accounts Receivable	8.9	3.3
Bills Receivable	244.8	63.3
Inventory	78.4	38.2

Capital Investment Plan



Capital Investments

Completion

R&D centre

Rmb 34 mil

mid 2008

Headquarters complex

Rmb 100 mil

mid 2009

ERP Stage II

Rmb 2 mil

late 2008

Production equipment

Rmb 50 mil

late 2008

R&D pipeline



- In-house product development team working on 29 research projects:

Cardiovascular – 9 projects

Digestive system – 3 projects

Anti-viral – 4 projects

Others – 13 projects

- Received 4 invention patents in 2007
- Continuous R&D in technologies and know-how on production process



Production Capacity



	<i>Annual Capacity</i>
Extraction	5,400 tonnes
Injections	2.0 billion vials
Soft Capsules	3.5 billion capsules
Granules	1.5 billion bags

Outlook for 2008 (1)



- Demand for medicines continues to surge - government is implementing its policy to offer basic insurance coverage for all Chinese people by 2010
- Most Shineway products are listed in the new rural cooperative medical insurance catalog
- Regulatory led consolidation continues – renewal of GMP license under amended standards

Outlook for 2008 (2)



- Additional production capacity of injections workshop prepares Shineway for the potential growth
- Newly promulgated regulatory standards on safety and quality control increases entry barrier of Chinese medicine injections

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” to foster the Group’s brand name and demand of the Group’s products

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