



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



## Interim Results Presentation



**21 August 2008**

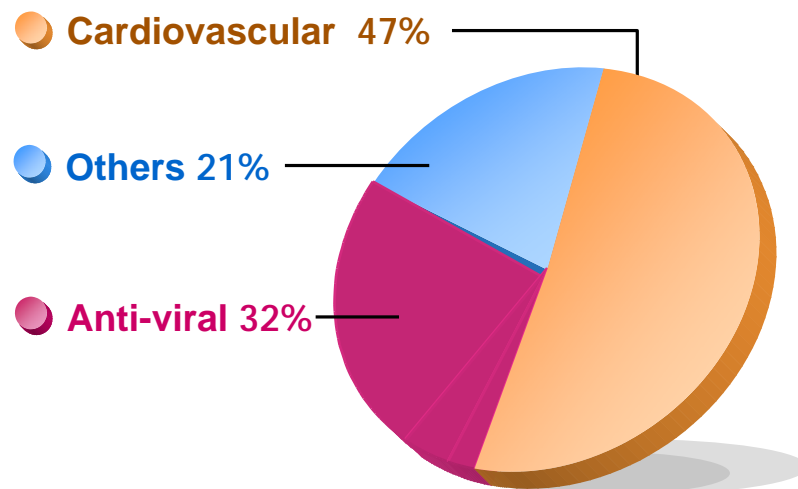
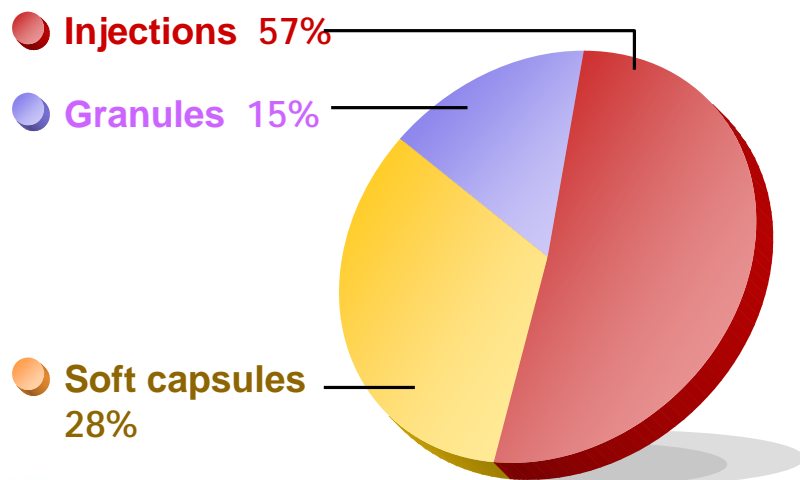
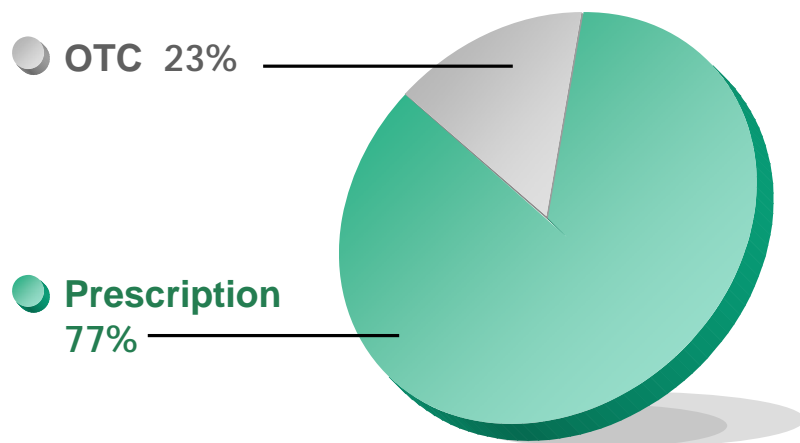


# 2008 Interim Results Highlight



<b>RMB (Mn)</b>	<b>2007 (6 mths)</b>	<b>2007 (6 mths)</b>	<b>Growth</b>
<b>Turnover</b>	642.4	461.5	+39.2%
<b>Gross Profit</b>	466.7	334.0	+39.7%
<b>Profit Attributable to Shareholders</b>	268.7	198.3	+35.5%
<b>Basic EPS (RMB cents)</b>	32	24	+35.5%
<b>DPS (RMB cents) Interim</b>	13	11	+18.1%

# Turnover Breakdown



# Highlight of Major Products



## Core Products

Qing Kai Ling Injection – *Anti-viral*

Shen Mai Injection – *Cardiovascular*

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 2008  
First 6 Month  
Sales**

**YOY  
Change**

**RMB (Mn)**

156.5 **+37.2%**

95.9 **+21.5%**

84.2 **+27.1%**

66.5 **+65.6%**

51.9 **+34.7%**

19.8 **+62.5%**

17.8 **+63.4%**

# Gross Margins



## ■ Margin expansion attributable to:

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

### Gross Margins

	2007 (6 mths)	2007 (6 mths)
Overall	72.7%	72.4%
Injections	76.3%	76.2%
Soft Capsules	77.7%	76.0%
Granules	52.8%	50.8%

# Operating expenses



	<u>First 6 months of 2008</u>		<u>First 6 months of 2007</u>	
	RMB (Mn)	As a % of turnover	RMB (Mn)	As a % of turnover
Distribution costs	102.3	15.9%	98.0	21.2%
Administrative expenses	45.9	7.1%	36.5	7.9%
Exchange loss	24.9	3.9%	21.2	4.6%

# Capital Investment Plan



	<u>Capital Investments</u>	<u>Completion</u>
<b>R&amp;D Centre</b> <sup>note</sup>	Rmb 12 mil	Mid 2009
<b>Administrative Building</b>	Rmb 100 mil	Late 2009
<b>Granule Production Lines</b>	Rmb 7 mil	Early 2009
<b>Extraction Equipment</b>	Rmb 52 mil	Early 2009

*Note: Total investment amounts to RM32,000,000.*

# Strong Financial Position



	<u>30 June 2008</u> <i>RMB (Mn)</i>	<u>31 Dec 2007</u> <i>RMB (Mn)</i>
<b>Cash and bank Balances</b>	1,510.6	1,678.4
<b>Accounts Receivable</b>	57.1	34.0
<b>Bills Receivable</b>	328.9	244.8
<b>Inventory</b>	102.6	78.4
<b>Bank Loan</b>	-	-

# Dividend



- Declared interim dividends of RMB13 cents per share, representing a payout of about 40.6% of interim net earnings
- Adopt a payout ratio of not less than 40% of annual net earnings payable in September and April each year

# Research & Development



- 23 new products under development, including:
  - 9 for cardiovascular diseases
  - 3 for digestive system illness
  - 4 for anti-viral treatment
- Construction of new R&D Centre is progressing as planned



# Production Capacity



	<b>Annual Capacity</b>
<b>Extraction</b> <small>note</small>	5,400 tonnes
<b>Injections</b>	20 billion vials
<b>Soft capsules</b>	3.5 billion capsules
<b>Granules</b> <small>note</small>	1.5 billion bags

*Note: The Group is currently adding production capacities on extraction of about 1,800 tonnes and on granules of about 400 million bags per annum.*

# Industry Outlook



- **Continuous strong growth of demand for the Group's products is expected due to favorable macro factors and support of modern Chinese medicines by the government.**
- **Expansion of pharmaceutical market persists as developments of basic health insurance coverage and health care facilities in urban community and rural areas continues.**
- **Stringent regulatory control and monitoring induces industry consolidation and create favorable business opportunities for companies of leading position.**

# Growth Strategies (1)



## Product mix enhancement

- Increase sales contribution of core products
- Nurture emerging products to broaden core product portfolio

## Increase investment in R & D

- To form a pipeline of broad span innovative products

## Increase advertising and promotion

- To strengthen brand equity of “Shineway”, “Wu Fu” and “Shen Miao”

## Rationalization of distribution channel

- Fostering strategic cooperation with cross-regional distributors to increase market coverage and penetration

# Growth Strategies (2)



## Strengthening support at point of sale

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

## Regional Expansion Strategies

- Further strengthen the strong foothold in northern China
- Strengthen resources in Pearl River Delta, Yangtze River Delta and Huanbo Bay coastal areas

## Acquisition opportunities

- Continue to evaluate suitable acquisition opportunities in a prudent manner