



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

Annual Results 2008

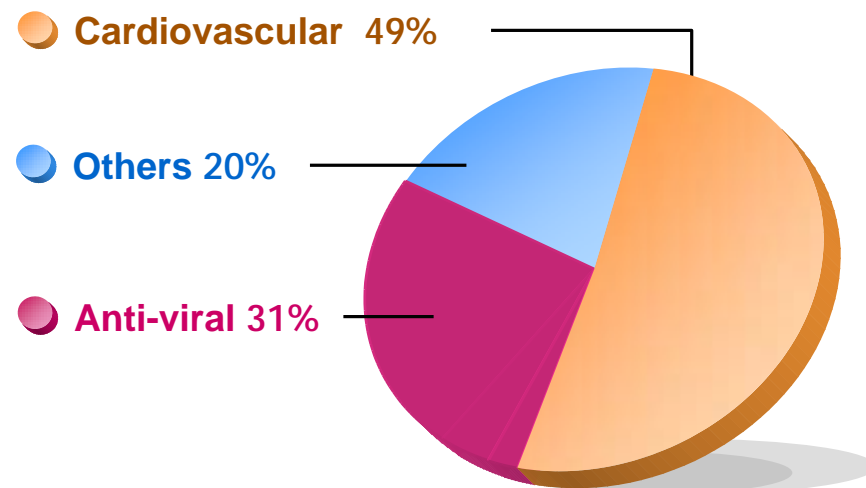
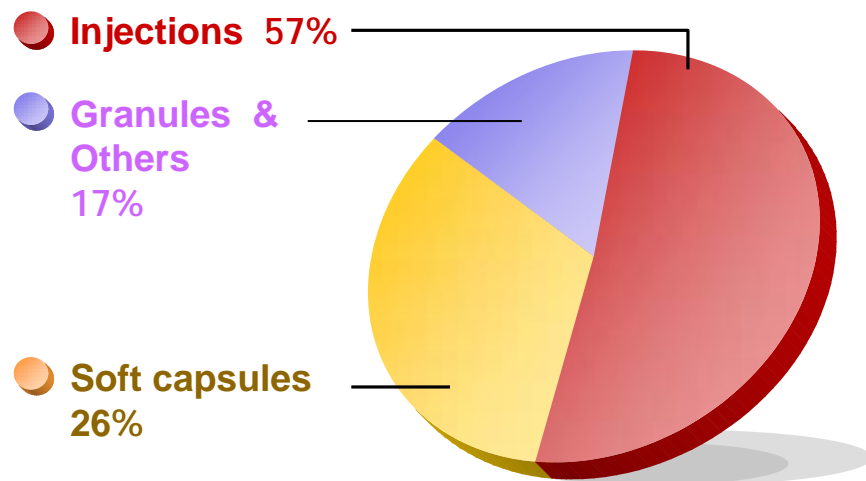
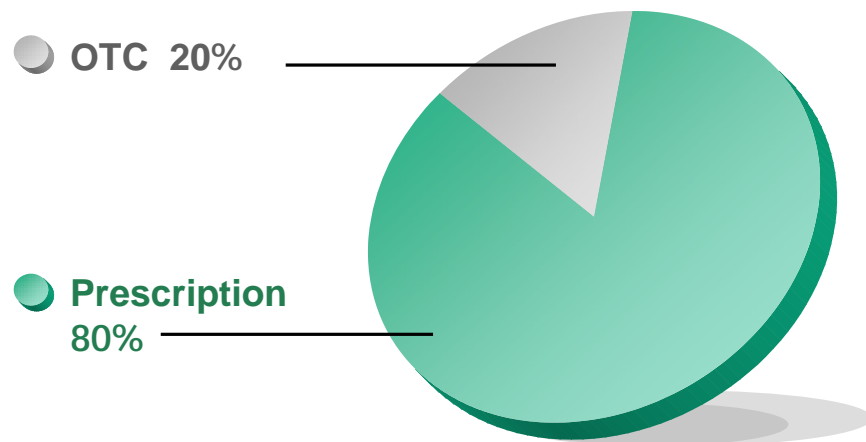


Results Highlight - 2008



<i>RMB Million</i>	2008	2007	Changes
Turnover	1,275.2	1,012.9	+ 25.9 %
Gross Profit	914.3	738.0	+ 23.9 %
Operating Profit	538.1	399.0	+ 34.9 %
Profit for the year	398.2	490.6	- 18.8 %
EPS (Cents)	48.0	59.0	- 18.8 %
Final & Special DPS (Cents)	12.0	27.0	- 55.6 %
Total dividends / share (Cents)	25.0	38.0	- 34.2 %

2008 Turnover Breakdown



** These charts are based on revenue for the year ended December 31, 2008*

Sales of Major Products



RMB Million

Core Products

Qing Kai Ling Injection – *Anti-viral*

Shen Mai Injection – *Cardiovascular*

Wufu Xin Nao Qing Soft Capsule – *Cardiovascular*

Shu Xue Ning Injection – *Cardiovascular*

Emerging Products

Pediatric Qing Fei Hua Tan Granule – *Pediatric*

Qing Kai Ling Soft Capsule – *Anti-viral*

Huo Xiang Zheng Qi Soft Capsule – *Digestive*

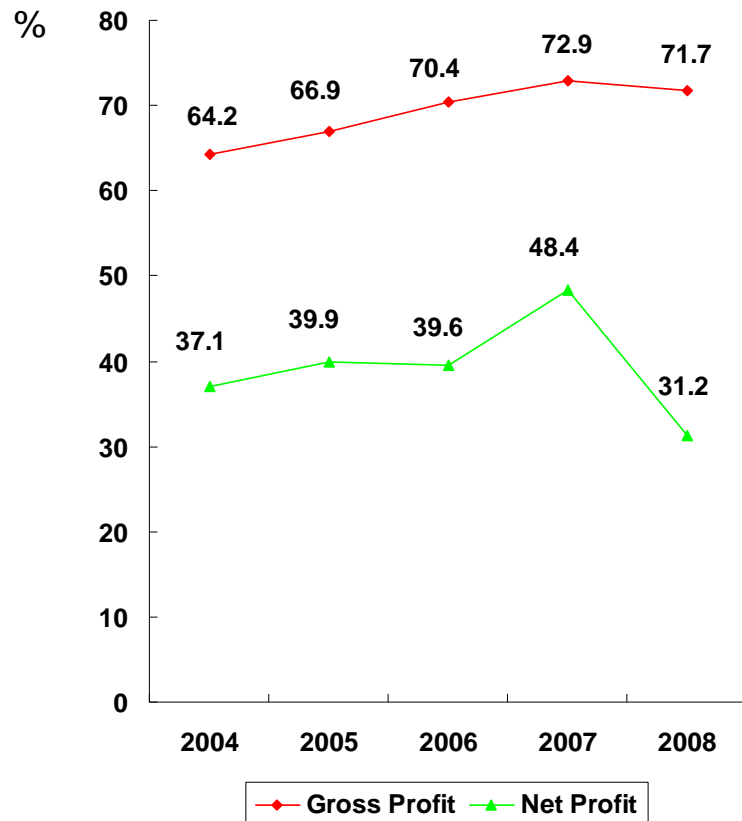
Huang Qi Injection – *Cardiovascular*

Year 2008
Sales

Increase

310.7	+23.8%
207.2	+10.6%
181.6	+20.9%
136.9	+48.5%
64.8	+100.6%
36.9	+53.8%
69.5	+37.5%
33.8	+14.8%

Gross and Net Margin



- Cost of raw materials and energy increased during the year
- Stable in gross margin are mainly attributable to:
 - ✓ Enhanced product mix
 - ✓ High extraction rate
 - ✓ High production yield
 - ✓ Economies of scale

Gross Margins

	2008	2007
Injections	75.4%	77.4%
Soft Capsules	76.3%	75.7%
Granules	52.0%	50.2%

Cost Structure



	<u>2008</u>		<u>2007</u>	
	RMB (Mn)	As a % of turnover	RMB (Mn)	As a % of turnover
Distribution costs	276.3	21.7%	258.1	25.5%
Administrative Expenses*	99.9	7.8%	80.9	8.0%
Income tax **	78.0	-	85.3	-

* Include R&D expenses of \$13,995,000

** PRC tax rate around 15% till 2008

Solid Financial Position



	2008 <i>RMB(Mn)</i>	2007 <i>RMB(Mn)</i>
Cash & Bank balances <i>Note 1</i>	1,585.6	1,678.4
Accounts Receivable	10.7	8.9
Bills Receivable	298.0	244.8
Inventory	76.3	78.4

Note 1 – Including RMB 450M in AUD and RMB 380M in HKD

Note 2 – China Shineway has no bank debt in 2007 & 2008

Net Exchange Loss



	2008 (In thousand RMB)	2007 (In thousand RMB)
AUD	102,586	(4,849)
HKD	29,226	61,823
Total	131,812	56,974

Capital Investment Plan



	<u>Capital Investments</u>	<u>Completion</u>
Extraction workshops	RMB 54 mil	late 2009
397 acres of land property	RMB 44 mil	late 2009
Granule and tables workshop	RMB 150 mil	late 2010
Others <i>Note</i>	RMB 110 mil	late 2010

Note: Others includes constructing a new administration building, red suckling flowers processing workshop, water recycle plant, power station and miscellaneous facilities

Strong R&D capability



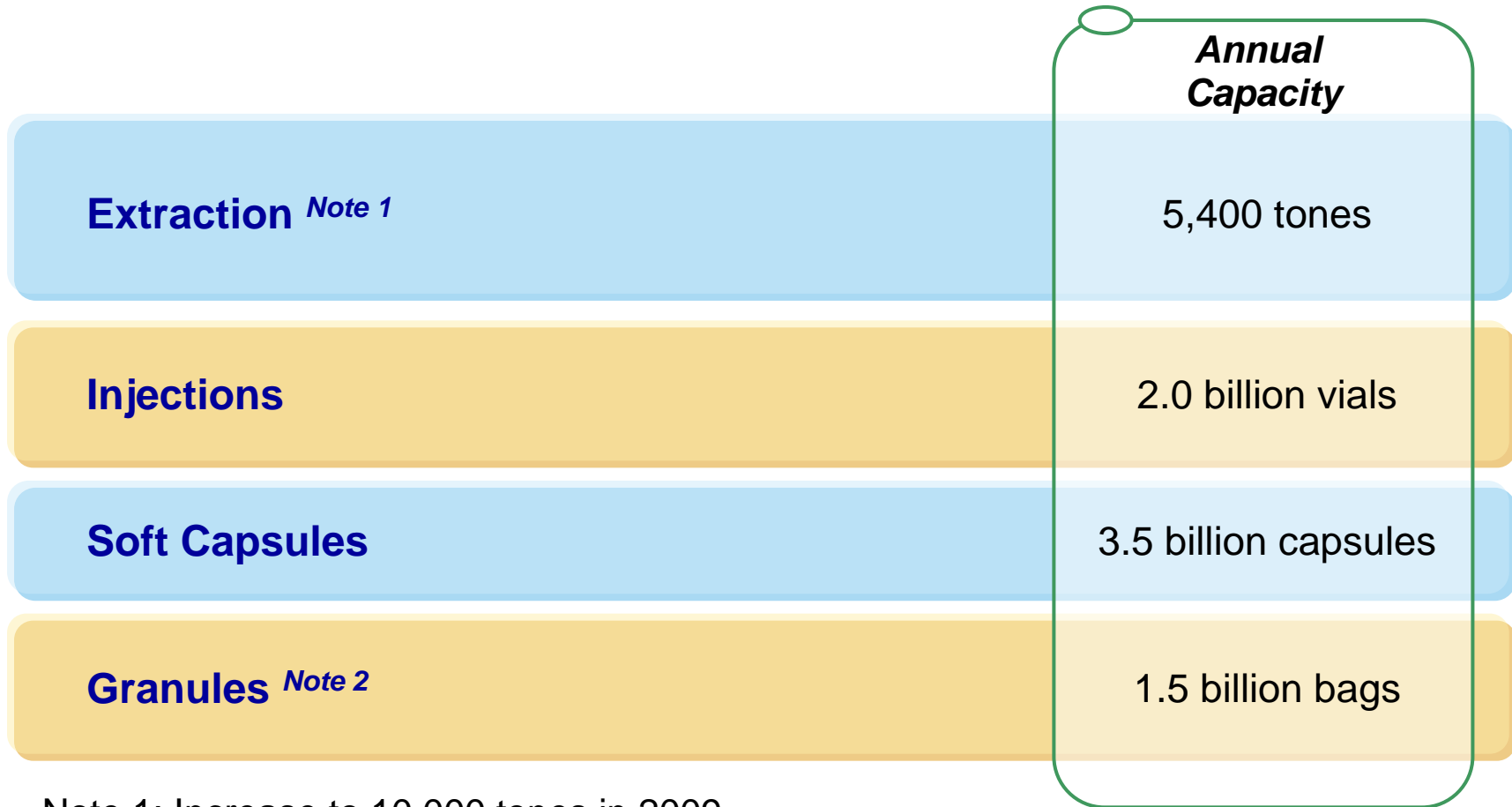
- In-house product development team working on 19 research projects – introducing 2-3 new products annually:

Cardiovascular	– 8 projects
Digestive system	– 1 projects
Anti-viral	– 2 projects
Others	– 8 projects

- Received 3 new medicine certificates
- Own 7 invention patents and 9 invention patent applications are in process
- Construction of new R&D center is progressing
- Initiating an international joint R&D project with an university in Australia



Production Capacity



Note 1: Increase to 10,000 tones in 2009

Note 2: Increase to 5.6 billion bags by 2010

Outlook



- Demand for medicines continues to surge - government is allocating RMB 850 billion to the health care system
- Charges in regulatory environment will likely accelerate consolidation of the industry
- The newly announced medical reform should benefit large scale pharmaceutical manufacturers capable of producing high quality products
- Most products of Shineway are included into the China New Cooperative Medical Scheme
- Additional production capacity prepares Shineway for the potential growth

Growth Strategies (1)



Product mix enhancement

- Increase sales contribution of core products
- Nurture emerging products and new products

Increase investments in R & D

- To develop a deep pipeline of innovative products to broaden core product portfolio

Increase advertising and promotion

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

Rationalization of distribution channel

- Foster closer strategic cooperation with cross regional distributors which have strong distribution capabilities to increase market coverage and penetration, in particular the “Third Point of Sale Zones” (hospitals of factories and mining fields, community clinics and rural healthcare centers).

Growth Strategies (2)



Strengthening support at point of sale

- Expand prescription medicines OTC and the “Third Point of Sales” personnel to provide sales support at the points of sales of targeted hospitals, clinics and pharmaceutical stores

Regional Expansion Strategies

- Utilizing advantageous position in northern China markets, strengthen resources in other key strategic regions (mainly the Huanbo Bay coastal areas, the Yangtze River Delta and Pearl River Delta)

Acquisition opportunities

- Continue to evaluate suitable acquisition opportunities in a prudent manner