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Shineway Focuses on Modern Chinese Medicine Growth Momentum Remains Despite Proposed Western Medicine Price Cut

[May 26, 2006, Hong Kong] - The leading modern Chinese medicine manufacturer **China Shineway Pharmaceutical Group Limited** ("Shineway" or the "Group") (stock code: 2877) made in a statement today that the proposed price cut on State Basic Medicine Insurance Catalogue to be promulgated by the Chinese government has no impact on its products and business development.

There have been discussions between the State National Development and Reform Commission and the China Association of Pharmaceutical Commerce on the possibility of reducing the price caps for certain medicines and pharmaceutical products, including mainly antibiotics and Western medicines ("Price Cap Reduction"). As Shineway's business focus is on the manufacture, sales and distribution of modern Chinese medicines, the Group's business is not being affected by the Price Cap Reduction.

Mr. Li Zhenjiang, Chairman of Shineway, said, "Shineway's focus is on prescription injection medicines which accounted for over 52% of our total turnover in 2004. As this type of products command a higher technology level, competition in this category is not as intense as generic OTC medicines. During the past three years, the average selling prices of the Group's key products have shown stable growth, with increases in gross and net profit margins in 2004. We are confident that we will be able to maintain this momentum in the future."

Company Background

China Shineway Pharmaceutical Group Limited is a leading modern Chinese medicine manufacturer in the PRC. Its products are categorized into three major types: injection, soft capsule and granules. Its products target three market segments with high growth potential, namely the middle and old aged, anti-viral and children, and are sold under its principal brand "SHINEWAY" which was recognized as a China Famous Trademark. Currently, it is the largest manufacturer of three of its principals – Xin Nao Qing soft capsules, Qing Kai Ling injection and Shen Mai injection.

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