

[For Immediate Release]



Shineway Pharmaceutical Announces its 2005 Annual Results

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Turnover & Net Profit Surged by 18.2% and 27.1% to RMB831 million and RMB331 million Respectively

Financial Highlights

RMB million	For the year ended 31 December		
	2005	2004	Change (%)
Turnover	831.4	703.6	18.2%
Gross profit	556.6	451.6	23.3%
Net profit	331.5	260.8	27.1%
Basic EPS (RMB cents)	40	42	-4.8%
Final and special dividends per share (RMB cents)	12	-	-

(20 March 2006 – Hong Kong) – **China Shineway Pharmaceutical Group Limited** ('Shineway' or the 'Group'; HKSE code: 2877), a leading manufacturer of modern Chinese medicine in the PRC, announced today its impressive annual results for the year ended 31 December 2005.

During the year under review, the Group's turnover amounted to RMB831.4 million representing a year-on-year growth of 18.2%, which is mainly attributable to superb product quality, strong brand equity and effective implementation of marketing strategies. As a result of optimization of sale mix and effective control of production and operation costs, net profit attributable to shareholders significantly increased by 27.1% to RMB331.5 million.

Basic earnings per share was RMB40 cents, a decrease by 4.8% compared with RMB42 cents in 2004. The decrease of basic earning per share was because weighted average number of shares increased from 617,232,877 in 2004 to 828,550,800 in 2005 as a result of the company's listing in December 2004.

The Board of Directors recommended the payment of final dividend of RMB 10 cents per share and special dividend of 2 cents per share for the year ended 31 December 2005.

Commenting on the Group's encouraging performance, Mr. Li Zhenjiang, Chairman of Shineway, stated, "Shineway achieved brilliant results in 2005. The Group ranked among the top four Chinese medicine enterprises in China in terms of profits, and received numerous awards including the "Top 10 Most Profitable Enterprises in the Chinese Medicine Manufacturing Industry" by the National Bureau of Statistics and "2005 Top 100 Growth Enterprises of China". Also, the Group is now ranked as the largest market capitalization pharmaceutical enterprise listed on the main board of the Hong Kong Stock Exchange."

For the year end 31 December 2005, sales of Chinese medicine injection products reached approximately RMB453,184,000, representing a significant increase of 25.3% as compared to the previous year. Shen Mai injection and Qing Kai Ling injection, the Group's two core products, recorded 13.4% and 29.9% increase in sales growth respectively. Chinese medicine injection products continued to be the major revenue contributor to the Group, accounted for 55.6% of turnover in 2005.

Sales of soft capsule products in 2005 amounted to approximately RMB259,663,000, representing an increase of 13.2% as compared with that in the previous year and accounted for approximately 31.3% of total turnover in 2005. The growth in sales of soft capsule products was mainly attributable to the increase in sales volume of Wu Fu Xing Nao Qing soft capsules and Huo Xiang Zheng Qi soft capsules. Among which Huo Xiang Zheng Qi soft capsules, the Group's emerging product, recorded a robust growth of 92.6% in sales revenue, reaching RMB39,384,000 and accounting for 4.7% of the Group's total turnover.

Sales of granules posted a year-on-year increase of 6.8%, amounting to RMB108,534,000, which was mainly due to strategic arrangement to maintain stable growth in the sales of granule products. During the year, granules products accounted for approximately 13.1% of the Group's total turnover.

Upon the completion of the Chinese medicine extraction workshop, Shineway's capacity surged from 1,800 tonnes to 5,400 tonnes per annum. It is expected that with the construction of a new injection workshop to be completed in early 2007, Shineway's injection production capacity will be doubled to 2 billion units of injection products per annum. In addition, the construction of a large-scale logistic centre will effectively increase the automation and enhance storage and delivery efficiency. Upon completion, Shineway's storage capacity will surge by approximately 1.5 times.

During the year, Shineway achieved remarkable progress in research and development. While obtained Certificates of New Medicine for Xue Sai Tong dropping pill and Shu Jin Tong Luo granule, the Group also successfully attained certificates of State Protected Chinese Medicine for Guan Xin Ning injection and Shu Xie Ning injection. Meanwhile, the Group renewed the certificates of State Protected Chinese Medicine for Paediatric Qingfei Huatan granule and Jingwu granule with a protection period from 2005 to 2012.

Currently, there are 17 potential new product research projects which are either undergoing pharmaceutical and clinical trial or have completed clinical trial. Among these projects are 5 products for treatment of cardiovascular illness, 2 products for treatment of digestive system and 1 product for anti-viral treatment. All of these research projects are progressing in line with schedule.

Looking ahead, with the increasing average income per capita and health awareness among the general public, the pharmaceutical market of the PRC will continue to grow rapidly. Shineway will continue to enhance its core products and regional distribution network. The Group will also continue to foster closer ties with end customers by strengthening professional prescription medicine and OTC teams to oversee and promote to targeted hospitals, clinics and pharmacy stores, with the view of further strengthening the foothold in emerging markets such as the southern and eastern regions of China.

Mr. Li said, "In the coming years, the Group will continue to develop and manufacture high quality products with our strong brand equity. Leverage on our high-tech production facilities, efficient research and development model, extensive distribution network, optimized product mix, our strategies to strengthen support on points of sale and expansion in potential markets, Shineway is committed to safeguard the health of Chinese people by providing good efficacy, high quality and value-added modern Chinese medicines."

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For further information, please contact:
iPR Ogilvy Ltd.

Katie Tsui/ Antonia Au/ Harriet Lau
Tel: (852) 2136 6955/ 2136 6176 / 3170 6750
Fax: (852) 2136 6068
E-mail: katie.tsui@iprogilvy.com/ antonia.au@iprogilvy.com/
harriet.lau@iprogilvy.com