

**China Shineway Announced its 2006 Annual Results**  
**Net Profit Moderately Increased by 0.5% to RMB 332,977,000**  
**Proposed Final Dividend of RMB10 Cents and**  
**Special Dividend of RMB2 Cents Per Share**  
**Dividend Payout Ratio Total to 55.0% for the Year**

**FINANCIAL HIGHLIGHT**

| RMB  | For the year ended 31 December |             |             |
|--|--------------------------------|-------------|-------------|
|  | 2006                           | 2005        | Changes (%) |
| Turnover   | 841,475,000                    | 831,379,000 | +1.2%       |
| Operating Profit   | 387,034,000                    | 342,452,000 | +13.0%      |
| Net Profit   | 332,977,000                    | 331,467,000 | +0.5%       |
| Basic EPS (RMB cents)                                      | 40                             | 40          | -           |
| Proposed Final and Special dividends per share (RMB cents) | 12                             | 12          | -           |

(HONG KONG, 21 March 2007) - **China Shineway Pharmaceutical Group Limited** ("Shineway", and collectively with its subsidiaries, the "Group" Stock code: 2877) today announced its annual results for the year ended 31 December 2006. During the year under review, the Group recorded a turnover of approximately RMB841,475,000, representing an increase of approximately 1.2% as compared to last year. Operating profit increased by approximately 13.0%, amounting to approximately RMB387,034,000. Profit attributable to shareholders was approximately RMB332,977,000, representing an increase of approximately 0.5% over the previous year. The modest growth of net profit was mainly attributable to the overall slow down in growth of the pharmaceutical industry and the increase of profit tax rate of the Group during the year.

The Board of Directors proposed to declare a final dividend of RMB10 cents per share and a special dividend of RMB2 cents per share. Together with the 2006 interim dividend, total dividend payout of the Group will be approximately 55.0% of the net profit for the year.

During 2006, the Group sold approximately RMB466,264,000 of injection products, representing an increase of approximately 2.9% over last year. Injection products accounted for approximately 55.4% of total turnover of the Group. Among these injection productions, Qing Kai Ling injection, Shu Xie Ning injection, and Huang Qi injection recorded growth rates of approximately 7.7%, 166.0% and 1.7% in sales respectively. Nonetheless, sales of Shen Mai injection decreased by approximately 11.5% during the year. The Group believed that despite the overall slow down in growth of the pharmaceutical industry causing injection products to attain below the Group's growth target, market demand for Chinese medicine injection products remains strong. The Group will continue to focus on the business of injection products and implement strategies to strengthen the development of distribution network and points of sales to increase market coverage. During the year, a number of the Group's injection products had received the "Good Quality/Good Price" status. It is expected that Chinese medicine injection products will continue to be the product format with immense growth potential.

The Group recorded sales of soft capsule products of approximately RMB248,282,000, representing a decrease of approximately 4.4% over last year, and accounting for approximately 29.5% of the Group's turnover in 2006. While sales of Huo Xiang Zheng Qi soft capsule has increased 39.5%, sales of Wu Fu Xin Nao Qing soft capsule declined approximately 12.5% over last year, primarily due to the overall weakness in the pharmaceutical industry.

For 2006, sales of granules increased by approximately 2.7% as compared to last year, amounting to approximately RMB111,917,000. The growth was attributable to the Group's strategies to unify the granule brand name and market positioning, strengthen marketing of the more popular granules to ensure their stable growth, despite slow growth of the pharmaceutical industry. Granule products accounted for approximately 13.3% of the Group's turnover in 2006.

During the year under review, the Group made good progress in research and development. Currently, there are 28 product research projects, which are either undergoing pharmaceutical and clinical trial or have completed clinical trial. Among these products are 9 products used for treatment of various cardiovascular diseases, 3 products for treatment of digestive system illnesses and 4 products for anti-viral treatment. All of these research projects are progressed as planned. For the time being, the Group has obtained 3 patents for its inventions, and 12 invention patent applications are under review. During the year, the Ministry of Personnel of the PRC approved the Group's establishment of a post-doctoral work station, which provides the Group with enormous new strength to its research and development, which further enhances the commercialization of research projects and provides a ground for training of modern Chinese medical talents and promotion of innovation. The Shineway brand of Qing Kai Ling Injection and Jiangzhi Tongluo Soft Capsule were also selected into the "China High-Tech Products Catalogue". The Catalogue was jointly published by the Ministry of Science and Technology, the Ministry of Finance and the State Ministry of Taxation. The listed products are entitled to enjoy favourable terms, like taxation and financing, under national preferential policies.

During the year, the Group expedite investments in advanced technologies and further strengthen its core competence. The large-scale logistic centre located at the headquarters of the Group has been put into operations. The new logistic centre has increased the Group storage capacity by 1.5 times and greatly reduced costs of handling inventory, further enhance storage capacity and the degree of automation. Meanwhile, the construction of new injection workshop is progressing as planned. Total investment of the new workshop is expected to be approximately RMB110 million. It will incorporate the production know-how of the Group with state-of-the-art technologies and will approximately double the Group's production capacity of Chinese medicine injection products to 2 billion vials, thereby further fortifying the leading position and advantage of its business in Chinese medicine injection. Moreover, several other capital investments, which will further enhance competitiveness of the Group, including ERP implementation, construction of a new research and development center, and remodeling of quality control centre, are underway. The Group expected to investment approximately RBM59,000,000 on these projects.

The Group remained widely recognized by the Chinese government and general public in the year. It had received a number of honors and awards, including China Top Ten Most Admired Pharmaceutical Enterprise, China Top Ten Most Profitable Enterprise in Key Industries, China Five Hundred Most Valuable Brand, and several of its products were also granted the "Good Quality/Good Price" status by the national government. Moreover, the Group obtained Australian GMP certificate successfully during the year. The certificate represents the endorsement of its quality control system and production facilities by over 20 member countries including UK, Canada, Singapore and a number of European countries, under the Pharmaceutical Inspection Co-operation Scheme (PIC/S) is the Group's major step for sales of modern Chinese medicines on the international markets.

Despite the moderate growth of the pharmaceutical market in 2006 as impacted by the medical reform, the growth trend of the pharmaceutical industry in China has not changed. Riding on China's fast growing economy, increase in income per capita and rising health awareness along with aging population will certainly increase medicine consumption. Modern Chinese medicines have good efficacy and used by a large consumer base. During the Eleventh Five-Year Plan period, the government is determined to offer continuous support on the development of the Chinese medicine industry and nurture modern Chinese enterprises. Hence, modern Chinese medicine market will continue to grow rapidly.

Looking forward, the Group will strive to achieve business growth and returns through product mix enhancement, rationalization of distribution channels, strengthening support at points of sales, implementation of regional expansion strategies, enhancement of investment in research and development and evaluation of acquisition opportunities in a prudent manner.

**About China Shineway Pharmaceutical Group Limited (Stock Code: 2877)**

China Shineway Pharmaceutical Group Limited is one of the largest modern Chinese medicines manufacturers in PRC. Listed on the Main Board of Hong Kong Stock Exchange, Shineway recorded the highest operating profit among all HKEX listed pharmaceutical companies in 2004 and 2005, and has been a Hang Seng Composite Index constituent.