



董事長

賀端澍先生

Chairman

Mr. He Duanshi

致各位股東：

本人欣然提呈山東新華製藥股份有限公司(本公司)截至二零零二年十二月三十一日止年度報告書，敬請各位股東省覽。

業績與股息

本公司及其附屬公司(簡稱「本集團」)截至二零零二年十二月三十一日止年度按中國會計準則編制的營業額為人民幣1,173,550千元，較二零零一年度增長6.76%；淨利潤為人民幣68,764千元，較二零零一年度下降15.0%；每股盈利人民幣0.15元。

按香港普遍採納之會計原則編制的營業額為人民幣1,173,550千元，較二零零一年度增長6.76%；股東應佔盈利為人民幣68,381千元，較二零零一年度下降16.35%；每股盈利人民幣0.15元。

董事會建議派發二零零二年末期現金股利每10股人民幣0.6元(約折合港幣0.566元)，A股含稅。此建議派發的股利已列入按中國會計準則編制的賬項中。

業務回顧

2002年隨著中國加入WTO，國內市場國際化進程明顯加快；中國政府加快醫療制度改革和醫療保障體系建設，繼續推行藥品降價、招標採購以及建立、健全可報銷藥物目錄制度等一系列改革措施。市場一體化、改革措施推進和實施，給國內醫藥市場和醫藥產業帶來了諸多不確定因素。企業競爭更加激烈，藥品價格趨降，化工原料價格到第四季度出現恢復性上漲。

Fellow shareholders,

It is my pleasure to present for your review the annual report of the Company for the year ended 31 December 2002.

Results and Dividends

In the fiscal year ended 31 December 2002, in accordance with PRC accountings standards, the Company and its subsidiaries ("the Group")'s sales increased by 6.76% to RMB1,173,550,000. Net income was RMB68,764,000, a decrease of 15.0%, compared to last year. Earnings per share were RMB0.15.

In accordance with HKGAAP, the Company's sales was RMB1,173,550,000, showing an increase of 6.76% and net income was RMB68,381,000, showing a decrease of 16.35%, compared to that of last year. Earnings per share were RMB0.15.

The Board of Directors has proposed a final dividend for 2002 of RMB0.6 per 10 share (approximately HK\$0.566 per share), including income tax of A shares, to be paid in cash. The proposed dividend has been dealt with in the accounts of the Company prepared in accordance with PRC accounting standard.

Review of Operation

In 2002, following the PRC's accession to the World Trade Organization, the domestic and international markets have become fused. The PRC government accelerated the reform of healthcare system and the establishment of medical insurance system, continued to extend public bidding in medicine procurement and renew the medicine write-off catalogue. The domestic pharmaceutical market and pharmaceutical sector were therefore confronted with certain unforeseen factors as a result of a unified trend between the domestic and international markets and the implementation of many reform policies. Meanwhile, the persistent slow downtrend for the prices of chemical materials in previous years changed conversely in the fourth quarter of 2002.

業務回顧 (續)

受諸多不利因素影響，本集團2002年實現淨利潤較上年度下降15%。為積極面對經營環境變化，提高應變能力，本公司繼續深化結構調整，大力開拓產品市場，突出開拓國際產品市場，狠抓企業管理，加快技術進步，增強綜合競爭力，認真落實年度方針目標各項措施，嚴格執行預算管理制度，以確保生產經營活動良性循環。

(一) 深化結構調整，突出發展重點

抓住發達國家醫藥產業周期性調整和跨國公司“轉移生產”的歷史性機遇，堅持誠信原則，培育大客戶，積極發展戰略合作夥伴關係。通過合資合作，以進一步拓展本公司產品市場，增強本公司於解熱鎮痛藥市場優勢地位，提高本公司盈利能力。

充分利用本公司在化學合成技術方面的優勢，強化精細化工產品和醫藥中間體項目研究，2002年本公司根據國內外市場研究分析和客戶需求，完成了20多項化工新產品研究項目，為培育新的效益增長點打好基礎。2002年9月26日本公司董事會批准成立濰博新華一三和化工有限公司，主要從事醫藥中間體、香料中間體生產，產品全部返銷國外。

Review of Operation (continued)

Affected by so many unfavorable factors, the Company's net income for 2002 dropped 15%. The Company rapidly responded to the changes of environmental conditions and improved its capability in dealing with such crisis. Through further adjustment to the product mix, market promotion of its products, the Company strengthened its position in the international market. At the same time, the Company strengthened the internal management and the improvement of technologies to sharpen its comprehensive competitive edge. The Company kept a good cycle in its production and operation due to the implementation of guiding principles and aims set down at the beginning of the year and the strict budget management.

1. Further structural adjustment by focusing on the main development areas

The Company took advantage of the historical opportunities arising from the periodic modulation in the pharmaceutical sector in developed countries and the shift of production derived by the multinational companies to establish strategic partnership with the main customers. By way of establishing joint ventures and other kinds of cooperation with foreign companies, the Company has further promoted its products and enhanced its position in the market of antipyretics and analgesics, and as a result enhancing the revenue of the Company.

Capitalizing on its superiority in chemical synthetic technologies, the Company strengthened its research in respect of refined chemical products and pharmaceutical intermediates. In 2002, the Company finished more than 20 new chemical products based on the analysis of demands from the domestic and overseas markets and customers' specifications. All these research created a new resource of profit. On 26 September 2002, the Board of Directors approved the establishment of a joint venture called Zibo Xinhua Sanhe Chemical Company Limited, which is mainly engaged in the production of pharmaceutical intermediates and perfume intermediates. All the products of the joint venture will be sold overseas.

業務回顧(續)

(一) 深化結構調整，突出發展重點(續)

突出發展出口原料藥系列產品，多規格、多品質滿足客戶特殊要求，推進實施國際化發展戰略。2002年本公司出口產品銷售額完成人民幣472,310千元，佔全部產品銷售額比重達到40.2%，比2001年度提高2.4個百分點。本公司於國際醫藥市場地位進一步增強。

(二) 大力開拓國際國內市場，提高公司市場地位

受國家連續幾次調整部分藥品價格等政策性因素影響，市場對新藥降價產生不良預期，一定時期內導致新藥銷售渠道不暢。本公司積極採取應對措施，努力適應市場變化，調動全體營銷人員主動性，充分利用本公司產品技術優勢、品牌優勢，積極參與各地藥品採購招標活動，並以此為契機，鞏固和進一步拓展現有製劑產品銷售市場；選擇重點地區和城市，強化終端銷售網絡建設，努力實現區域代理和終端網絡建設相互補充、協調發展。在經營環境較為不利的形勢下，本公司製劑產品銷售市場得以鞏固。

Review of Operation (continued)

1. Further structural adjustment by focusing on the main development areas (continued)

The Company focused on the development of preparation and export of products. It developed a series of products with different specifications to meet individual customers' requirement and vigorously promoted its products in the overseas markets. The revenues generated from export amounted to RMB472,310,000 in 2002, accounting for 40.2% of the total sales of the Company, an improvement of 2.4% compared to 2001. The Company's international competitiveness was further consolidated.

2. Improve market position by promotion of the Company's products

Influenced by a series of state policies for lowering the medicine prices, the domestic market responded negatively to the drop of medicine prices, which resulted in, for a short time, the stagnancy in the sales of the Company's new drugs. Under such unfavorable circumstances, the Company rapidly adopted measures to accommodate itself to the changes of market and improve aggressiveness of its sales force. Making full use of its superiorities in respect of its technology and brand, the Company took active part in the public bidding in medicine procurements conducted by medical institutions over the PRC. Meanwhile, the Company further consolidated and expanded its existing sales channel of preparations and chose the key areas and cities in the PRC as the main distribution channels of its sales network. The Company strived to have sales agencies in the main regions together with distribution channels complementing and coordinating with each other. The market shares of the Company's preparation steadied again.

業務回顧 (續)

- (二) 大力開拓國際國內市場，提高公司市場地位 (續)

面對原料藥市場無序競爭局面，本公司在鞏固和擴大重點客戶銷售的同時，選擇重點地區進行市場開發，根據產品特點，做到直接銷售和代理銷售相結合，同時經過認真市場調研，根據實際情況，適當下調部分原料藥價格，以擴大產品銷售，鞏固和提高產品市場佔有率。

2002年本公司完成銷售額較上年度提高6.76%，其中出口創匯實現57,560千美元，較上年度增長13.22%。本公司產品出口創匯連續四年實現較高速度增長。

- (三) 狠抓企業管理，加快技術進步，增強綜合競爭力

深入開展「雙增雙節」活動和「一品一策」產品技術攻關活動，年初確定13項產品質量技術攻關計劃全部完成，滿足了客戶特殊品質要求。主要產品技術改進工作進展順利，並完成年度目標，產品技術含量進一步提高。

Review of Operation (continued)

2. **Improve market position by promotion of the Company's products (continued)**

Faced with the disorderly competition in the domestic bulk pharmaceuticals market, the Company increased its sales to the main customers. Meanwhile, according to the characteristics of different products, the Company combined direct sales with sales through agencies in selected regions. After extensive investigation and research, the Company appropriately lowered the prices of some kind of bulk pharmaceuticals for the market promotion in order to improve the market share of its products.

In 2002, the sales of the Company increased by 6.76%, among which the revenue from export was USD57,560,000, which represents an increase of 13.22%. The income from export has continued to increase rapidly for the 4th successive year.

3. **Strengthening of overall competitiveness by corporate management and improvement of technologies**

The Company continued to carry out the activities that are conducive to increasing the Company's revenue, reduce its operating costs and to promote technical improvement of the production methods for different products. The technical improvement plans in relation to 13 products mapped out at the beginning of the year to satisfy the specific requirements of customers have been fulfilled. The amelioration of the production technologies for the main products was completed and many new technologies were applied in the production of the Company.

業務回顧(續)

- (三) 狠抓企業管理，加快技術進步，
增強綜合競爭力(續)

不斷完善比質比價招標採購管理制度，逐步推廣網上招標，努力減少採購中間環節，控制各項費用支出，充分利用自營進出口優勢，選擇合適原材料調劑貨源，控制價格，本公司全年原料採購成本較上年度節約人民幣18,626千元。

進一步強化基礎管理，年度內八個主要化學原料藥一次性通過國家GMP認證，繼茶鹼通過美國FDA檢查，並獲得歐洲藥品質量理事會(FDQM)頒發的歐洲證書(COS)後，氫化可的松原料藥順利通過美國FDA檢查，阿司匹林獲得COS證書，異丙安替比林等6個原料藥註冊資料已經提交FDQM審查。2002年內本公司還順利通過20多家客戶產品質量審計工作。上述工作的順利完成將為進一步擴大本公司產品境內外銷售奠定堅實基礎。

Review of Operation (continued)

3. **Strengthening of overall competitiveness by corporate management and improvement of technologies**
(continued)

The method of bidding has improved significantly and is now being used on the Internet. By reducing the courses in the procurement, the total expenses and expenditure in relation to the procurement were reduced by the Company in the year. Distinguished from most enterprises in the PRC, the Company has its own import and export right to purchase all the necessary materials needed for production which enables the Company to negotiate the prices with suppliers which resulted in a reduction in total procurement costs by RMB18,626,000 compared to last year.

The Company also further strengthened its basic management. 8 bulk pharmaceutical products obtained the Good Manufacturing Practice ("GMP") certification conducted by the State Drug Administration ("SDA") of the PRC. Hydrocortisone and Theophylline, passed the examination by the Food and Drug Administration of the United States ("FDA") and obtained the Certificate of Suitability ("COS") issued by the European Directorate for the Quality of Medicines ("FDQM"). Aspirin product also obtained the COS certification. The Drug Master File ("DMF") for other 6 products of bulk pharmaceuticals, such as isopropyl-antipyrine has been submitted to FDQM for review. In 2002, the Company passed the quality audits carried out by more than 20 foreign companies. All these have laid down a solid foundation for the promotion of the Company's products both in domestic and overseas markets.

未來展望

2003年世界經濟呈現一些復蘇跡象，但仍存在一定的不確定性；國內經濟隨著政策、法律環境的進一步完善，社會資源合理流動的新體制逐步建立，經濟總量將邁上新的台階；醫藥行業經過多年的市場整頓、GMP改造、醫療制度改革，以及醫療保障體系逐步建立，將為本公司發展創造良好空間。但市場無序競爭在一定時期內仍然存在，加上化工原料價格趨漲，將對本公司經濟效益的增長產生一定影響。為此，本公司將著重抓好以下幾項工作：

- (一) 確保技術改造項目順利實施，為「十五」期間大發展奠定基礎

2003年是本公司資金投入較大、產品技術改造項目較多的一年，是為公司今後大發展打基礎的關鍵一年。

首先要抓好增發A股募集資金投入項目－咖啡因技術改造項目後期施工工作。目前咖啡因技術改造項目土建工程基本完工，將要進入設備安裝階段，力爭2003年上半年具備試車投產條件。

抓好增發A股募集資金投入項目－針劑GMP改造項目施工工作，力爭2004年上半年具備試生產條件。

Prospects

The world economy is recovering from the winter of 2002 but the situation is somewhat uncertain. Accompanying with the improvement of economic policies and legal environment of the PRC, the economy of the PRC should maintain good growth momentum aided by a new system being set up allowing the reasonable flow of the social resources. The Company will have more favorable conditions to develop in the future following the reform of the pharmaceutical industry, the completion of GMP renovation of production equipment and the reform of social medical care system as well as the establishment of medical insurance system in the PRC in past years. However, the disorderly situation will also exist in the domestic pharmaceutical market for a sustained period and the upward tendency in the prices of chemical materials for production will be maintained in the coming year. All these factors will influence the increase of the Company's income. Facing such unfavorable factors, the Company will reinforce its efforts in four specific areas in this year:

1. **Laying a foundation for the Tenth Five Year Plan of the Company by completing the technical renovation**

The year 2003 is the pivotal year for the Company's development in the future as a lot of investment is made and many reconstruction projects will commence operation during this year.

First of all, the construction of caffeine renovation project, using the proceeds from the issue of A Shares will be completed this year. At present, the construction of the main building has been finished and the installment of the equipment has commenced. It is anticipated that caffeine project will be put into trial production in the first half of 2003.

The GMP innovation of preparation, another project using the proceeds from the issue of A Shares, will be put into trial production in the first half of 2004.

未來展望(續)

- (一) 確保技術改造項目順利實施，為「十五」期間大發展奠定基礎(續)

精心組織擴產改造項目配套工程施工建設，特別是污水處理改造項目施工建設，堅持清潔生產，繼續實施可持續發展戰略；同時做好國家級技術開發中心技術改造項目的前期論證工作，爭取早日開工建設。

- (二) 強化企業管理，積極開展「技術進步年」活動，增強創新意識，提高創新水平

技術進步才能激活產品生命力、增強企業競爭能力，為此本公司將2003年確定為「技術進步年」。借此，進一步激發全體員工創新意識，提高創新水平；大力培養專家能手，車間主任、工程師要努力成為產品專家，班組長、工人技師、技術工人要做產品能手。

繼續推行實施比質比價招標採購管理制度，狠抓「雙增雙節」管理措施之落實，強化預算管理，嚴格控制費用，降低成本。

加強與國內外知名科研院所合作，進一步提高產品創新水平，爭取2003年度取得國家藥品監督管理局頒發的6個產品生產批文。

Prospects (continued)

1. **Laying a foundation for the Tenth Five Year Plan of the Company by completing the technical renovation (continued)**

The Company pays special attention to clean production and efforts are being made in the continued development of this object. A set of auxiliary engineering projects including the reconstruction of the sewage disposal is currently in construction. Meanwhile, the renovation of the state-level technical development centre is being demonstrated and construction work will commence soon.

2. **Improvement of the innovation consciousness and techniques in the Year of Technical Improvement**

The life-cycle of products and the competitiveness of the Company both depend on the improvement of existing production techniques. The Company has named the year 2003 as "Year of Technical Improvement" and hopes to improve the staff's innovation consciousness and technical expertise. The Company strives to make its staff experts in their work. The chiefs of workshop and technical workers are called on to be experts of production.

The Company will continue to pursue the policy of inviting public tenders in all its procurements and carry out the activities that are designed to increase the Company's revenue and reducing its operating costs to reduce the costs of products.

By enhancing the cooperation with famous scientific and research institutions both in the PRC and other countries, the level of the Company's research work will be further improved. The Company plans to get 6 certifications of production for new products granted by the State Drug and Food Administration of the PRC in 2003.

未來展望 (續)

- (二) 強化企業管理，積極開展「技術進步年」活動，增強創新意識，提高創新水平 (續)

不斷改進和提高公司產品技術水平，降低原料消耗，提高產品科技含量；強化質量技術攻關，滿足客戶特殊規格產品需求。加強產品工藝研究，努力降低產品成本；強化工業化研究，提高科研成果生產轉化率水平，不斷提高公司綜合競爭能力。

加快硬件改造，提高軟件水平，力爭證年內14個產品通過GMP認證，為全面通過GMP認證打下基礎。並以產品GMP認證為契機，繼續狠抓基礎管理，確保年度內客戶產品質量審計通過率達到100%，爭取多個產品通過FDA檢查或獲得COS證書，並認真做好原材料重點供應商審計工作。

Prospects (continued)

2. **Improvement of the innovation consciousness and techniques in the Year of Technical Improvement**
(continued)

The Company will reduce the consumption of raw materials and improve the level of technical input of its products by way of improvement in the production techniques. The improvement of quality makes it feasible for the Company to satisfy the different requirements of individual customers. The research on the improvement of production techniques ensures the reduction in the production costs of the Company's products. The Company will further improve the success ratio in the transformation of new products from scientific research to industrial production, which will result in the improvement of its competitiveness.

Through the renovation of production facilities and the improvement of the management, the Company plans to obtain the GMP certification for its 14 products and be prepared for the necessary GMP examination of the remaining products. Following the GMP certification, the Company will continue to enhance its basic management to pass all quality audits carried out by the clients. The Company will endeavor to get FDA or COS certifications for more products and continue to carry out the quality audits on its suppliers of raw materials.

未來展望(續)

- (三) 市場開拓與信用管理並重，提高經濟運行質量

圍繞市場營銷這一龍頭，狠抓市場網絡建設、品牌建設、制度建設、隊伍建設。大力開拓產品市場，特別是狠抓出口產品和製劑產品銷售，突出抓好新藥銷售，提高市場佔有率。同時加強營銷全過程風險管理，最大限度降低經營風險，採取切實管理措施，大力壓縮應收賬款和清理長期欠款，減少壞賬損失，提高公司盈利。繼續實施積極的產銷回平衡經營策略，提高經濟運行質量。

- (四)、適應形勢變化，促進發展

全面開放藥品分銷服務體系將對國內醫藥商業發展產生新的考驗。本公司將充分利用已經取得的藥品批發資格，大力發展藥品批發業務，搞好物流配送，逐步形成物流配送、零售連鎖經營、終端開發齊頭並進的發展態勢。

Prospects (continued)

3. **Paying equal attention to the promotion and credit management to improve operating results**

Focusing on market promotion, the Company will place emphasis on the development of its market network, brand, rules and sales personnel. The Company will pay more attention to the export of its products and the sale of preparation, especially the sale of new drugs, to improve its market share. The Company will minimise operating risk by enhancing the credit management. By adopting feasible measures, the Company will reduce the amount of account receivables for the purpose of lower loss and higher profit. Under the strategy for balancing production, sales and payments, the operation effectiveness of the Company will improve.

4. **Making adjustment to constant changes for further development**

The PRC will fully open up its drug-distribution sector, Domestic drugstores will face new challenges arising from the market opening up. The Company will make full use of its wholesale certification in medicine-distribution to develop its wholesale business and distribution channels. Ultimately, the Company hopes to boost its business in the distribution of medicines, through chain drugstores and direct sales to the end-users.

未來展望 (續)

(四)、適應形勢變化，促進發展 (續)

繼續與重點客戶和供應商發展戰略合作夥伴關係，發揮本公司諸多優勢，爭取更多的合資合作、委託加工、來料加工項目，培育更多的效益增長點。

2003年是本公司為大發展打基礎的一年，相信通過全體員工共同努力，群策群力，定能保持本公司生產經營等各方面工作良性發展。

承董事會命
賀端湜
董事長

中國山東濰博
二零零三年三月二十一日

Prospects (continued)

4. Making adjustment to constant changes for further development (continued)

By enhancing the strategic cooperation with the main customers and suppliers and giving use of its competitive advantage, the Company believes that it will have more chances in the establishment of joint ventures, OEM production and processing in order to generate new sources of revenue.

In 2003, the Company will prepare for the future development. The Board is confident that through the efforts of its staff, the Company will continue to improve its production and operations.

By order of the Board
He Duanshi
Chairman

Zibo, Shandong, PRC
21 March 2003