

本董事會謹向股東提呈本公司二零零二年董事會報告和本公司及本集團截至二零零二年十二月三十一日止年度經審核之帳目。

### 經營管理研討與分析

#### (一) 主營業務範圍及其經營狀況

本集團主要從事開發、製造和銷售化學原料藥、製劑、化工及其他產品。本集團利潤主要來源於主營業務。

#### 銷售分析

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銷售額為人民幣1,173,550千元，其中化學原料藥銷售額、製劑、化工產品及其他銷售額所佔比重分別為63.9%、33.4%和2.7%，分別較上年上升2.16個百分點、下降2.88個百分點和上升0.72個百分點。

化學原料藥銷售額為人民幣749,548千元，較上年增長10.44%；製劑產品銷售額為人民幣391,997千元，較上年下降1.7%；化工產品及其他產品銷售額為人民幣32,005千元，較上年增長46.69%。

製劑產品銷售額所佔比重下降的主要原因是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，影響本公司製劑產品銷售價格和銷量。

The Board of Directors sincerely submits to the shareholders the report of the Board of Directors and the audited accounts of the Company and the Group for the year ended 31 December 2002.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### I. The business scope and operating results of the Company

The Company is mainly engaged in the business of developing, manufacturing and selling of bulk pharmaceuticals, preparations, chemical products and other products. The profit of the Company and its subsidiaries (the "Group") is mainly attributable to its principal operations.

#### Sales Analysis

Under PRC accounting standards, the Group achieved a turnover of RMB1,173,550,000 for the year ended 31 December 2002, in which sales of bulk pharmaceuticals accounted for 63.9% of the total sales of the Group, representing an increase of 2.16% as compared to last year. Sales of preparations and chemical and other products accounted for 33.4% and 2.7% respectively of the total sales of the Group, and representing a decrease of 2.88% and an increase of 0.72% respectively as compared to 2001.

Sales of bulk pharmaceutical were increased by 10.44% to RMB749,548,000. Sales of preparations was RMB391,997,000, representing a decrease of 1.7% and sales of chemical and other products was RMB32,005,000, representing an increase of 46.69%.

The decrease in the sales proportion of preparations to the total sales was mainly due to a series of state policies for depressing the prices of medicines. The prices and sales volume of preparations of the Company were affected by the stagnancy in the sales of the Company's new drugs for a short time resulted from the expectation of drop in medicine prices.

### 經營管理研討與分析 (續)

#### (一) 主營業務範圍及其經營狀況 (續)

##### 銷售分析 (續)

由於本公司開拓原料藥國際市場成績顯著，原料藥產品市場份額擴大，銷售增長。化工及其他產品銷售增長的主要原因是本公司子公司山東淄博新華大藥店有限公司營業額增加。

##### 業績分析

截至二零零二年十二月三十一日止年度，按香港普遍採納之會計原則審計的本集團股東應佔盈利為人民幣68,381千元，較上年度下降16.35%；按中國會計準則審計的淨利潤為人民幣68,764千元，較上年下降15%。利潤下降的主要原因：

- (1) 受國家調低部分製劑產品價格政策影響，本公司部分新藥銷售價格下降；受醫藥市場無序競爭影響，為擴大產品銷售市場，提高公司市場地位，本公司根據實際情況，調低部分原料藥產品價格。
- (2) 以石油為基礎性原料的化工產品價格上升，致使本公司產品的原料成本呈上升趨勢。

### MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

#### I. The business scope and operating results of the Company (continued)

##### Sales Analysis (continued)

In contrast, the market promotion of the Company for bulk pharmaceuticals in the international markets has resulted in improved sales. The market shares and sales of its bulk pharmaceuticals increased, and the increase of sales of chemical and other products was mainly attributable to the increase in turnover of Shandong Zibo Xinhua Pharmacy Company Limited, a subsidiary of the Company.

##### Results Analysis

The Group's profits attributable to shareholders for the year ended 31 December 2002 calculated in accordance with HKGAAP was RMB68,381,000 and the profit after taxation calculated in accordance with PRC accounting standards was RMB68,764,000, representing decreases of 16.35% and 15% respectively as compared to last year. The main reasons for the decreases were:

1. As a result of state policies in lowering the prices of medicines, the prices of some kinds of preparation products of the Company were brought down. Affected by disorderly competition in the PRC pharmaceutical markets, the Company voluntarily cut down the prices of some of its bulk pharmaceutical products in order to improve the market share of those products.
2. The sharp rise in the prices of chemical products made of petroleum resulted in an increase in the costs of procurement of the Company's chemical raw materials.

經營管理研討與分析(續)

**MANAGEMENT DISCUSSION AND ANALYSIS**

(continued)

(一) 主營業務範圍及其經營狀況(續)

**I. The business scope and operating results of the Company (continued)**

主要產品及其於中國市場佔有率

Major Products and the corresponding market share in the PRC

主要產品	Major Products	佔二零零二年 總銷售額百分比(%) As % of total sales in 2002	國內 市場佔有率(%) Market share in the domestic market
A. 化學原料藥	Bulk Pharmaceuticals		
安乃近	Analgin	15.50	42.34
咖啡因	Caffeine	8.54	31.79
氨基比林	Aminopyrine	5.26	91.72
阿斯匹林	Aspirin	5.71	46.63
氫化可的松	Hydrocortisone	5.88	40.54
吡嘧酸	Pipemidic acid	2.02	100
布洛芬	Ibuprofen	2.14	31.90
茶碱	Theophylline	1.27	27.61
氨茶碱	Aminophylline	0.20	19.18
B. 製劑	Preparations		
吡嘧酸片	Pipemidic acid tablets	3.92	N/A
複方新諾明片	Co-SMZ tablets	1.68	17.70
複方甘草片	Co-liquorice tablets	1.73	6.25
尼莫地平片	Nimodipine tablets	1.19	19.39
布洛芬片	Ibuprofen tablets	1.03	37.71

按中國會計準則財務狀況、經營成果分析

Financial and results analysis in accordance with PRC accounting standards

2002年度末本集團總資產為人民幣1,905,456千元，比2001年增加人民幣68,736千元，較上年度增長3.74%；股東權益為人民幣1,379,670千元，比2001年增加人民幣39,146千元，較上年度增長2.92%。總資產及股東權益增長的主要原因為本集團本年度經營產生盈利；

Total assets of the Group as at 31 December 2002 amounted to RMB1,905,456,000, representing an increase of RMB68,736,000 or 3.74%, as compared to that of last year. Shareholders' equity of the Group as at 31 December 2002 was increased by RMB39,146,000 or 2.92% to RMB1,379,670,000, as compared to that of last year. The increases in the total assets and shareholders' equity were mainly attributable to the net income of the Group having been realised during the year.

# 董事會報告

## REPORT OF BOARD OF DIRECTORS

### 經營管理研討與分析 (續)

#### (一) 主營業務範圍及其經營狀況 (續)

##### 按中國會計準則財務狀況、經營成果分析 (續)

2002年度本集團主營業務利潤為人民幣311,732千元，較上年同期降低人民幣14,165千元，下降4.35%；淨利潤為人民幣68,764千元，較上年同期降低人民幣12,132千元，下降15%，利潤下降的主要原因見“業績分析”。

2002年年度末本集團現金及現金等價物淨增加額為人民幣-113,563千元，現金及現金等價物淨增加額變動的主要原因是：2002年A股增發承諾項目陸續開工，工程項目資金投入較大，導致2002年度投資產生的現金流量淨額為人民幣-143,855千元。

2002年佔公司主營業務收入10%以上產品情況

### MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

#### I. The business scope and operating results of the Company (continued)

Financial and results analysis in accordance with PRC accounting standards (continued)

Profit from principal operations and profit after taxation for 2002 amounted to RMB311,732,000 and RMB68,764,000 respectively, representing decreases of RMB14,165,000 (or 4.35%) and RMB12,132,000 (or 15%) respectively, as compared to that of last year. The main reasons for the decreases are listed in the above section headed “Results Analysis”.

Net decreases in cash and cash equivalents was RMB113,563,000 as at 31 December 2002. The decrease was mainly attributable to increase in investment for the renovation projects using the proceeds from the issue of additional A Shares which resulted in a decrease of RMB143,855,000 in the net cash flows from investing activities for 2002.

A broad analysis of the main products, which accounted for over 10% of the total sales of the Company for 2002, is as follows:

產品名稱	Product	銷售額 Turnover RMB'000	銷售成本 Cost of goods sold RMB'000	毛利率(%) Rate of gross margin %
安乃近	Analgin	181,880	119,269	34.42

經營管理研討與分析 (續)

(一) 主營業務範圍及其經營狀況 (續)

按香港普遍採納之會計原則分析

到2002年12月31日，本集團流動比率為226.34%，速動比率為182.29%，年應收帳款周轉率為455.07%，年存貨周轉率為416.79%，同時本集團貨幣資金為人民幣503,467千元，銀行借款為人民幣340,000千元，資金流動性較好，償債能力較強。

本集團資金需求無明顯季節性規律。

本集團資金來源主要有兩部分，一是本集團實現的利潤，二是向金融機構借款。對於公司現有的資金，一是公司將按照增發A股招股說明書承諾用途用好募股資金，二是按照效益和風險並重的原則利用好其他資金。

截至2002年12月31日，本公司分別投入資金35萬美元、180萬元人民幣成立了兩家合資公司，本集團分別佔其註冊資本的70%、90%。我們對這幾家公司的發展前景充滿信心。

截至2002年12月31日，本公司無抵押的資產。

公司未來計劃內重大投資項目均為A股增發招股說明書承諾項目，資金主要來源於A股增發所募集資金。

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

I. The business scope and operating results of the Company (continued)

Analysis of the Group's performance under HKGAAP

As at 31 December 2002, the current ratio and the quick ratio of the Group were 226.34% and 182.29% respectively, and the rate of receivable turnover and rate of stock turnover for the year were 455.07% and 416.79% respectively. The cash on hand and in bank was RMB503,467,000 and the bank loans amounted to RMB340,000,000. The Group maintained good liquidity and has the ability to repay its debts as they fall due.

The Group's demand for funding was stable throughout the year.

The source of funds of the Group were mainly comprised of two parts, namely the profit of the year and loans from financial institutions. As at 31 December 2002, the total amount of bank loans was RMB340,000,000 at a fixed interest rate and unsecured. The Company will use the proceeds raised from the issue of additional A Shares in projects as disclosed in the Prospectus of the Company dated 3 September 2001 ("the Prospectus") and use other funds reasonably.

As at 31 December 2002, the Company established two joint ventures with investment costs of USD350,000 and RMB1,800,000, accounting for 70% and 90% of their total equity interests respectively. The Company is confident in the development of these companies.

As at 31 December 2002, there was no charge on the Group's assets.

In the coming year, the material investment plan will be focused on the projects using the proceeds from the issue of new A Shares.

# 董事會報告

## REPORT OF BOARD OF DIRECTORS

### 經營管理研討與分析 (續)

#### (一) 主營業務範圍及其經營狀況 (續)

##### 按香港普遍採納之會計原則分析 (續)

本集團的資本負債率為24.51%。  
(資本負債率=借款總額/股本及儲備總額x100%)

公司現有的銀行存款主要目的是為生產經營及科研開發投入作資金準備。

到2002年12月31日，公司無或有負債。

#### (二) 控股子公司經營及業績情況

- 1、本公司享有山東淄博新華大藥店有限公司(「新華大藥店」)88%的股東權益。該公司自一九九九年十一月十九日由淄博工商行政管理局批准正式登記設立，經營範圍包括：中成藥、中藥飲片、西藥製劑、計劃生育用品、醫療器械、保健品、化妝品的零售。

2002年實現銷售收入人民幣24,264千元，較上年度增長91.69%，實現淨利潤人民幣317千元，較上年度下降31.24%，下降的主要原因是新開辦11家連鎖店，攤銷開辦費用增加。

### MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

#### I. The business scope and operating results of the Company (continued)

Analysis of the Group's performance under HKGAAP (continued)

The gearing ratio of the Group was 24.51% as at 31 December 2002. (The gearing ratio = Total borrowings / Share capital & total reserves x 100%)

The cash and bank balances of the Company will be mainly used as working capital in the production, sales and research.

As at 31 December 2002, the Company had no contingent liabilities.

#### II. Operation and Results of subsidiaries of the Company

1. Shandong Zibo Xinhua Pharmacy Company Limited ("Xinhua Pharmacy"), in which the Company holds 88% of the total equity interest, was approved for incorporation by the Zibo Municipal Industrial and Commercial Administration on 19 November 1999. The main operations of the subsidiary are the sale of traditional Chinese medicines, prepared herbal medicines for decoction, preparations, drugs for birth control, medical appliances, health foods and cosmetics.

The total turnover of the subsidiary was RMB24,264,000, and the profit after taxation for 2002 was RMB317,000, representing an increase of 91.69% and a decrease of 31.24% respectively as compared to 2001. The decrease in profit after taxation was mainly due to the higher start-up costs of 11 new drugstores.

經營管理研討與分析 (續)

(二) 控股子公司經營及業績情況 (續)

- 2、 公司於2002年度內與日本共和株式會社、北京三田化工技術開發有限公司合資成立“淄博新華—三和化工有限公司”，合資公司註冊資本50萬美元，本公司出資35萬美元，佔註冊資本70%，合資公司經營範圍為：醫藥中間體、香料中間體等化工產品（不含危險品）的研究、開發、生產和銷售。該公司產品正處於試生產階段。
- 3、 2002年3月，本公司與新華醫藥集團公司共同出資成立“淄博新華醫藥設計院有限公司”，合資公司註冊資本人民幣200萬元，本公司出資180萬元，佔註冊資本90%，合資公司主要經營醫藥工程的設計等，2002年度實現盈利98千元。

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

II. Operation and Results of subsidiaries of the Company  
(continued)

2. In 2002, the Company established a joint venture with Kyowa Pharmaceutical Co., Ltd. and Beijing Mita Chemical Technology Development Co., Ltd. The registered capital of the joint venture namely Zibo Xinhua Sanhe Chemical Company Limited is USD500,000, in which the Company invested USD350,000 which accounted for 70% of the total equity interests of the joint venture. The operating scope of the joint venture includes research, development, production and sale of chemical products including pharmaceutical intermediates, perfume intermediates etc, except for the dangerous materials. The company has come into trial operation.
3. In March 2002, the Company established Zibo Xinhua Pharmaceutical Design Institute Company Limited with SXPGC. The total registered capital of the subsidiary is RMB2,000,000, in which the Company invested RMB1,800,000 and accounted for 90% of the total equity interests. The subsidiary is mainly engaged in the business of design of projects and achieved a profit of RMB98,000 in 2002.

# 董事會報告

## REPORT OF BOARD OF DIRECTORS

### 經營管理研討與分析 (續)

#### (三) 募集資金使用情況

公司於2001年9月3日增發3,300萬股A股(含國有股減持300萬股)，募集資金淨額為人民幣370,517千元，截止2002年12月31日，共使用募集資金人民幣144,588.1千元，主要用於以下項目：

募集資金投資項目名稱	募集資金 投入計劃	2002年 實際投入	完成計劃 累計投資額	投資額的比例 % of the total investment	備註
Name of project	Total investment 人民幣千元 RMB'000	Actual investment in 2002 人民幣千元 RMB'000	Accumulated investment 人民幣千元 RMB'000		Remark
國家級技術中心改造項目 State-level technical center	745,00	7,233	7,233	9.71%	
針劑GMP改造項目 Preparation workshop GMP renovation	80,000	7,767	7,767	9.71%	
咖啡因技術改造項目 Caffeine technical renovation	160,000	63,209.6	66,829.3	41.77%	土木工程 基本完工 construction of factory building basically finished
L-350技術改造項目 L-350 technical renovation	29,980	10,820.9	22,958.8	76.58%	基本完工 basically finished
安乃近精幹包(GMP)改造項目 Analgin GMP renovation	39,800	22,328.2	44,126.8	110.87%	已完工，其中 4,326.8千元為自有 資金投入。正處於 達產達效階段。 basically finished, included in the accumulated investment, RMB4,326,800 is financed by the Group's own resources
合計 Total		111,368.7	148,914.9		

未達到計劃進度的主要原因是，本次募集資金實際到位時間較預期晚，且根據淄博市政府統一規劃，本次募集資金計劃投資項目除安乃近精幹包(GMP)改造項目外，其他項目均安排到淄博市高新技術產業開發區建設。安乃近精幹包(GMP)改造項目已經完工，正處於達產達效階段。尚未使用的募集資金存於銀行，將按照承諾投資項目使用。

### MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

#### III. Use of Proceeds

On 3 September 2001, the Company raised an amount of RMB370,517,000 from the Issue, being an issue and offer of 33,000,000 A Shares (including the offer of 3,000,000 state-owned shares). As at 31 December 2002, a total of RMB144,588,100 was used in the following projects:

The projects were postponed due to the following reasons: Firstly, there was a delay by the Company to issue A Shares. Secondly, the projects except Analgin GMP renovation were moved to Zibo High-tech Industrial Development Zone pursuant to the integral blueprint mapped out by Zibo Municipal Government. The Analgin GMP renovation project has been finished and its annual output will come to the normal level of production. The unused proceeds was deposited in banks and will be used in accordance with projects committed as stated in the the prospectus.



### 董事會工作報告

1、 在本年度內，本公司董事會於公司住所召開了七次會議：

A. 本公司於二零零二年一月二十八日在公司住所召開第一次董事會會議，通過如下決議：

- (1) 批准與新華醫藥集團公司所屬附屬公司之間的持續性關聯交易，並與公司簽署有關關聯交易協議；
- (2) 批准與新華醫藥集團公司共同投資成立山東淄博新華醫藥設計院有限責任公司的議案。

B. 本公司於二零零二年三月二十二日在公司住所召開第二次董事會會議，通過如下決議：

- (1) 通過本公司二零零一年度董事會報告；
- (2) 通過本公司二零零一年度經審計之財務報告；
- (3) 通過本公司二零零一年度利潤分配方案；
- (4) 通過本公司二零零二年度的利潤分配政策；

### Working Report of the Board

1. During the year, the Board of Directors convened seven meetings at the Company's registered office:

A. On 28 January 2002, the first meeting was convened at the Company's registered office, during which the following resolutions were passed:

- i. To approve the ongoing connected transactions with SXP GC and its subsidiaries and the relevant agreements;
- ii. To approve the investment in Shandong Zibo Xinhua Pharmaceutical Design Institute Company Limited with SXP GC.

B. On 22 March 2002, the second meeting was convened at the Company's registered office, during which the following resolutions were passed:

- i. To approve the report of the Directors of the Company for the year 2001;
- ii. To approve the audited accounts of the Company for the year 2001;
- iii. To approve the profit appropriation of the Company for the year 2001;
- iv. To approve the profit appropriation budget of the Company for the year 2002;

# 董事會報告

## REPORT OF BOARD OF DIRECTORS

### 董事會工作報告 (續)

1、 在本年度內，本公司董事會於公司住所召開了七次會議：(續)

B. 本公司於二零零二年三月二十二日在公司住所召開第二次董事會會議，通過如下決議：(續)

(5) 通過續聘國際及國內核數師並授權董事會釐定其酬金提案；

(6) 審議並通過二零零一年度發生的關聯交易；

(7) 批准公司總經理提交的有關核銷和計提資產減值準備的書面報告。

C. 本公司於二零零二年四月十八日在公司住所召開第三次董事會會議，通過決議如下：

(1) 通過本公司二零零二年第一季度報告；

(2) 通過二零零二年度董事、監事酬金的議案；

(3) 通過關於公司章程修改的議案；

(4) 通過第四屆董事會董事候選人的議案；

### Working Report of the Board (continued)

1. During the year, the Board of Directors convened seven meetings at the Company's registered office: (continued)

B. On 22 March 2002, the second meeting was convened at the Company's registered office, during which the following resolutions were passed: (continued)

v. To approve the re-appointment of the international and domestic auditors respectively for year 2002 and authorize the Directors to fix their remuneration;

vi. To approve the connected transactions for the year 2001;

vii. To approve the written report on the provisions for diminution in value of assets and treatment of related losses submitted by the general manager;

C. On 18 April 2002, the third meeting was convened at the Company's registered office, during which the following resolutions were passed:

i. To approve the quarterly report of the Directors of the Company for the first quarter of 2002;

ii. To approve the remuneration of the Directors and Supervisors for the year 2002;

iii. To approve the amendments to the Articles of Association;

iv. To approve the nominees of members of the Fourth Board of Directors of the Company;

### 董事會工作報告 (續)

1、 在本年度內，本公司董事會於公司住所召開了七次會議：(續)

C. 本公司於二零零二年四月十八日在公司住所召開第三次董事會會議，通過決議如下：(續)

- (5) 通過關於進一步確認A股增發募集資金用途的議案；
- (6) 通過關於召開二零零一年度周年股東大會的議案；
- (7) 通過關於二零零一年股息派發有關事宜的議案；
- (8) 通過關於成立淄博新華醫藥貿易有限公司的議案。

D. 本公司於二零零二年六月七日在公司住所召開第四次董事會會議，通過如下決議：

- (1) 選舉產生第四屆董事會董事長、副董事長；
- (2) 通過聘任總經理議案；
- (3) 通過聘任副總經理議案；
- (4) 通過聘任董事會秘書議案；

### Working Report of the Board (continued)

1. During the year, the Board of Directors convened seven meetings at the Company's registered office: (continued)

C. On 18 April 2002, the third meeting was convened at the Company's registered office, during which the following resolutions were passed: (continued)

- v. To confirm the use of proceeds from the new issue and offer of A Shares;
- vi. To approve the notice of convening 2001 Annual General Meeting;
- vii. To approve the Company's profit distribution plan for year 2001;
- viii. To approve the establishment of Zibo Xinhua Medicine Trading Company Limited, a wholly-owned subsidiary of the Company;

D. On 7 June 2002, the fourth meeting was convened at the Company's registered office, during which the following resolutions were passed:

- i. To elect new chairman and vice chairman of the Fourth Board of the Company;
- ii. To appoint new general manager;
- iii. To appoint new deputy general managers;
- iv. To appoint new company secretaries;

# 董事會報告

## REPORT OF BOARD OF DIRECTORS

### 董事會工作報告 (續)

1、 在本年度內，本公司董事會於公司住所召開了七次會議：(續)

D. 本公司於二零零二年六月七日在公司住所召開第四次董事會會議，通過如下決議：

(續)

- (5) 通過成立三個董事會專門委員會議案，並通過相關的工作細則；
- (6) 選舉產生董事會專門委員會成員；
- (7) 通過董事會工作條例修訂稿；
- (8) 通過總經理工作條例修訂稿；
- (9) 通過信息披露管理辦法；
- (10) 通過關於財務審批權限的管理規定；
- (11) 通過募集資金管理制度；
- (12) 通過關於建立現代企業制度的自查報告。

### Working Report of the Board (continued)

1. During the year, the Board of Directors convened seven meetings at the Company's registered office: (continued)

D. On 7 June 2002, the fourth meeting was convened at the Company's registered office, during which the following resolutions were passed: (continued)

- v. To approve three special committees attached to the Board of directors of the Company and their relevant working rules;
- vi. To elect members of special committees of the board of the Company;
- vii. To approve the amendments to the working rules of board of the Company;
- viii. To approve the amendments to the working rules of general manger of the Company;
- ix. To approve the rules binding the disclosure of information of the Company;
- x. To approve the procedures on the approval of financial expenditure of the Company;
- xi. To approve the rules on the management of proceeds from the issue of shares of the Company;
- xii. To approve the report of the establishment of modern enterprise system submitted to the CSRC;

### 董事會工作報告 (續)

1. 在本年度內，本公司董事會於公司住所召開了七次會議：(續)

E. 本公司於二零零二年八月二日在公司住所召開第五次董事會會議，通過如下決議：

- (1) 審議通過截至二零零二年六月三十日止六個月的中期報告；
- (2) 建議不派發二零零二年中期股息，也不進行公積金轉增股本；
- (3) 批准提交中國證監會《關於上市公司2001年度業績未完成盈利預測數有關情況問訊函》的答覆函；
- (4) 批准關於購買土地的議案。

F. 本公司於二零零二年九月二十六日在公司住所召開第六董事會會議，通過如下決議：

- (1) 審議通過關於持續關聯交易有關議案；
- (2) 審議通過《關聯交易管理辦法》；
- (3) 審議通過《獨立董事工作制度》；

### Working Report of the Board (continued)

1. During the year, the Board of Directors convened seven meetings at the Company's registered office: (continued)

E. On 2 August 2002, the fifth meeting was convened at the Company's registered office, during which the following resolutions were passed:

- i. To approve the interim report of the Company for the six months ended 30 June 2002;
- ii. To recommend neither the distribution of an interim dividend, nor any transfer from the Company's capital reserve into share capital;
- iii. To approve the reply to the CSRC for its inquiry for the reasons which resulted in the failure in achieving the 2001 profit forecasting of the Company;
- iv. To approve an acquisition of land use right;

F. On 26 September 2002, the sixth meeting was convened at the Company's registered office, during which the following resolutions were passed:

- i. To approve the ongoing connected transactions with SXPGC and its subsidiaries;
- ii. To approve the rules binding the connected transactions;
- iii. To approve the working rules of independent directors of the Company;

# 董事會報告

## REPORT OF BOARD OF DIRECTORS

### 董事會工作報告 (續)

1. 在本年度內，本公司董事會於公司住所召開了七次會議：(續)

F. 本公司於二零零二年九月二十六日在公司住所召開第六董事會會議，通過如下決議：(續)

(4) 通過關於召開臨時股東大會，審議持續關聯交易的議案；

(5) 同意設立淄博新華—三和化工有限公司。

G. 本公司於二零零二年十月二十三在公司住所召開第七次董事會會議，通過如下決議：

(1) 審議通過2002年第三季度報告及財務報告；

(2) 同意關於部分A股募集資金擬投資項目建設地址變更的議案。

2. 二零零一年度公司股息已於二零零二年七月十五日前派發完畢。

### Working Report of the Board (continued)

1. During the year, the Board of Directors convened seven meetings at the Company's registered office: (continued)

F. On 26 September 2002, the sixth meeting was convened at the Company's registered office, during which the following resolutions were passed: (continued)

iv. To approve convening an extraordinary general meeting for reviewing and approving the ongoing connected transactions with SXPGC and its subsidiaries;

v. To approve the establishment of Zibo Xinhua Sanhe Chemical Company Limited;

G. On 23 October 2002, the seventh meeting was convened at the Company's registered office, during which the following resolutions were passed:

i. To approve the third quarterly report of 2002 of the Company;

ii. To approve the changes of addresses of certain projects using the proceeds from the new issue of A Shares

2. The dividends for 2001 were fully paid before 15 July 2002.

### 董事、監事及高級管理人員簡介

董事、監事及高級管理人員簡介見「董事、監事、高級管理人員和員工情況」之董事監事及高級管理人員簡介。

### 董事、監事及高級管理人員在股份中的權益

根據本公司按證券(披露權益)條例第二十九條設置的登記冊記錄或根據本公司所知，本公司董事、監事及其他高級管理人員持有本公司股份權益見「董事、監事、高級管理人員和員工情況」之董事、監事及高級管理人員持有本公司股份情況。

### 董事、監事的酬金

本年度本公司董事、監事的酬金詳情載於按香港普遍採納之會計原則編制之帳目附註10。

### 最高酬金人士

本年度本集團及本公司獲最高酬金的前五名人士均為本公司董事。

### 董事、監事購買股份或債券之權利中取得之利益

本公司、其控股公司及控股公司其他附屬公司概無於本年度內任何時間訂立任何安排、致使本公司之任何董事、監事或其配偶或其未滿十八歲子女透過購入本公司或任何其他公司之股份或債券而獲得利益。

### Brief Introduction of Directors, Supervisors and Senior Officers

Brief introduction of Directors, Supervisors and Senior Officers are listed in the above section headed "DIRECTORS, SUPERVISORS, SENIOR OFFICERS AND STAFF".

### Directors', Supervisors' and Senior Officers' Interests in Shares

The shareholding of the Directors, Supervisors and Senior Officers, according to the register of shareholders maintained by the Company in accordance with section 29 of the Securities (Disclosure of Interests) Ordinance or to the knowledge of the Company, the shareholding of each of the Directors, Supervisors and Senior Officers are listed in the above section headed "DIRECTORS, SUPERVISORS, SENIOR OFFICERS AND STAFF".

### Remuneration of Directors and Supervisors

Details of the remuneration of the Company's Directors and Supervisors are set out in note 10 to the Accounts prepared under HKGAAP.

### Individuals with the Highest Remuneration

All the five individuals with the highest salaries paid by the Group and the Company during the year 2002 were Directors of the Company.

### Directors' and Supervisors' Rights to Acquire Shares

At no time during the year was the Company, its holding companies or its fellow subsidiaries a party to any arrangements to enable any of the Company's Directors, Supervisors, or their spouses or children under 18 years of age to acquire shares in, or debentures of, the Company or any other body corporate.

# 董事會報告

## REPORT OF BOARD OF DIRECTORS

### 董事、監事之服務合約

所有董事、監事與本公司訂立由二零零二年六月七日開始，為期三年的服務合約。並於同日開始生效。雙方可根據合約條文重訂該服務合約。

現任董事或監事與本公司概無訂立若於一年內作出賠償(法定賠償除外)方可終止之服務合約。

### 管理合約

本年度內，本公司並無就整體業務或任何重要業務的管理或行政工作簽訂或存有任何合約。

### 董事與監事之合約中的利益

本公司、其控股公司或控股公司其他附屬公司於本年度年終或年內任何時間概無訂立與本公司業務有關聯之重大合約，致使任何董事或監事於其中享有重大利益。

### 帳目

根據香港普遍採納之會計原則及中國會計準則編制的有關本集團截至二零零二年十二月三十一日止年度業績及本集團及本公司於二零零二年十二月三十一日財務狀況載於「財務報告」。

### 財務摘要

本集團於過去五個財政年度的業績、資產及負債載於「會計資料和業務資料摘要」。

### Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors entered into a service contract with the Company for a period of three years commencing on 7 June 2002. The terms of the service contracts may be renewed by both parties pursuant to the terms thereof.

No existing Directors or Supervisors have a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

### Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### Directors' and Supervisors' Interests in Contracts

No contracts of significance in relation to the Company's business to which the Company, its holding companies and its fellow subsidiaries and in which any Directors or Supervisors had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

### Accounts

The Group's results for the year ended 31 December 2002 and the financial position of the Group and the Company as at 31 December 2002 prepared in accordance with HKGAAP and PRC accounting standards are set out in section headed "Financial Reports".

### Financial Summary

A summary of the results, assets and liabilities of the Group prepared in accordance with HKGAAP and PRC accounting standards for the last five financial years is set out in section headed "Summary of Financial and Operating Results".



## 利潤分配

根據中國會計準則編制本集團截至二零零二年十二月三十一日止年度實現淨利潤人民幣68,764千元，按10%提取法定盈餘公積金人民幣6,904千元；按5%提取公益金人民幣3,452千元；按10%提取任意盈餘公積金人民幣6,877千元；建議派發末期股息每10股人民幣0.6元（折合港幣約0.566元，A股含稅），按已發行的307,312,830股A股及150,000,000股H股計算，共計人民幣27,439千元，本報告期增加未分配利潤人民幣24,092千元。

## 主要業務及按地區劃分的營業額

本集團從事開發、製造及銷售化學原料藥、製劑(如針劑與片劑)、化工及其他產品。

本集團按香港普遍採納之會計原則編制的地區分析之營業額如下：

		二零零二年 2002 RMB'000	二零零一年 2001 RMB'000	增減變化% Change (%)
<b>主要銷售地</b>	Geographical location			
中國(包括香港)	PRC (including Hong Kong)	<b>756,185</b>	751,043	0.68
歐洲	Europe	<b>169,844</b>	148,347	14.49
美洲	Americas	<b>170,369</b>	138,495	23.01
其他	Other	<b>77,152</b>	61,404	25.65
<b>合計</b>	<b>Total</b>	<b>1,173,550</b>	<b>1,099,289</b>	<b>6.76</b>

由於各地區的經營盈利與營業額之一般比率並無重大差異，故未就以上之地區劃分作盈利貢獻分析。

## Profit Appropriations for the Year 2002

In accordance with PRC accounting standards for the period ending 31st December 2002, the Group realised a net profit of RMB68,764,000 of which 10% is appropriated to the statutory surplus reserve, 5% is appropriated to the welfare reserve, and 10% is appropriated to the discretionary surplus reserve. These reserves amounted to RMB6,904,000, RMB3,452,000 and RMB6,877,000, respectively. After taking into account of the proposed final dividend for 2002 of RMB0.6 (approximately equal to HK\$0.566, including tax for A Shares) per 10 share, which represents a total final dividend payable of RMB27,439,000, the undistributed profit of the Group for the reporting period was increased by RMB24,092,000 as compared to the previous year.

## Principal Activities and Geographical Analysis of Operations

The principal activities of the Group are the development, production and sales of bulk pharmaceuticals, preparations (e.g. injections and tablets), chemicals and other products.

An analysis of the Group's turnover in various geographical locations under HKGAAP is as follows:

There is no major disparity in the ratios between turnover and profit in relation to the above geographical locations, hence no analysis was performed on profit contributions from the above geographical locations.

# 董事會報告

## REPORT OF BOARD OF DIRECTORS

### 股本變動及股東情況介紹

本公司於本年度內股本變動及股東情況介紹見「股本變動及股東情況」

### 儲備

本集團及本公司本年度內儲備的變動情況分別載於按香港普遍採納之會計原則編制帳目附註20及按中國會計準則編制帳目附註27。

### 固定資產

本集團及本公司固定資產變動情況載於按香港普遍採納之會計原則編制帳目附註11及按中國會計準則編制帳目附註12。

### 銀行貸款及其他借款

本集團及本公司於二零零二年十二月三十一日的銀行貸款及其他借款情況之詳情載於按香港普遍採納之會計原則編制帳目附註21及中國會計準則編制帳目附註15。

### 資本化利息

本年度內本集團無有關在建工程所借貸款的資本化利息。

### Changes in Share Capital and Shareholders

Changes in share capital and shareholders are set out in the above section headed “CHANGES IN SHARE CAPITAL AND SHAREHOLDERS”

### Reserves

Movements in the reserves of the Group and the Company during the year 2002 are set out in note 20 to the Accounts prepared in accordance with the HKGAAP, and note 27 to the Accounts prepared in accordance with PRC accounting standards, respectively.

### Fixed Assets

Details of the movement in the fixed assets of the Group and the Company during the year 2002 are set out in note 11 to the Accounts prepared in accordance with the HKGAAP, and note 12 to the Accounts prepared in accordance with PRC accounting standards.

### Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2002 are set out in note 21 to the Accounts prepared in accordance with the HKGAAP, and note 15 to the Accounts prepared in accordance with the PRC accounting standards.

### Interest Capitalised

During the year, no interest was capitalized in respect of loans borrowed by the Group and the Company for financing its construction-in-progress.

### 職工宿舍

本集團截至二零零二年十二月三十一日止年度內並無出售職工宿舍予本集團員工。自一九九八年一月一日起，本集團已根據中國政府有關規定，按員工工資5%繳納由山東省淄博市財政局管理的住房公積金，截至二零零二年十二月三十一日止年度本集團共繳納職工住房公積金人民幣2,733千元。

### 職工基本醫療保險

根據《山東省建立城鎮職工基本醫療保險制度的實施方案》和《淄博市關於建立城鎮職工醫療保險制度的實施方案》等文件要求，本公司計劃於2003年度內實行職工基本醫療保險制度。本公司董事會認為該制度的實施對本集團的業績及財務狀況不會產生重大影響。

### 稅收優惠問題

根據山東省淄博市地方稅務局高新技術產業開發區分局淄高新地稅發(2002)5號及(2003)14號文件批複，本公司2002年度、2003年度均減按15%的稅率繳納企業所得稅。但本公司不能保證以後年度仍然享受該等稅收優惠政策。

### Staff Quarters

All staff quarters of the Group were owned by SXPGC. The Group did not sell any staff quarters to its employees during the year ended 31 December 2002 but was required to contribute 5% of the basic wages of the Group's staff to the accommodation scheme managed by the Shandong Province Zibo Municipal Finance Bureau in accordance with the relevant regulations implemented by the PRC government authorities since 1 January 1998. For the year ended 31 December 2002, contributions to the accommodation scheme made by the Group in this respect amounted to RMB2,733,000.

### Staff Basic Medical Insurance

Pursuant to the Plan for Implementation of Basic Medical Insurance System for Urban Employees promulgated by the Shandong Provincial Government and the Schedule for Establishment of Medical Insurance System for Urban Employees implemented by Zibo Municipal Government, the Company will join the above-mentioned Medical Insurance System for Urban Employees in 2003. In the opinion of Directors, the implementation of such Medical Insurance System for Urban Employees will not have significant effect on the results and financial position of the Group.

### Preferential Tax Treatment

Pursuant to the notice from Shandong Province Zibo Municipal Local Taxation Bureau Development Zone Sub-Division, the Company is entitled to a preferential enterprise income tax at the rate of 15% for the year ended 31 December 2002 and 2003. However, there is no assurance that the preferential tax treatment can be maintained beyond the financial year 2003.

# 董事會報告

## REPORT OF BOARD OF DIRECTORS

### 委託存款問題

截至二零零二年十二月三十一日止年度，本集團沒有於非銀行金融機構的存款及屬於委託性質的存款，也不存在到期不能收回的定期存款。

### 最佳應用守則

本公司董事確認本公司於截至二零零二年十二月三十一日止年度已遵守最佳應用守則。最佳應用守則包括上市規則附錄十四所載的條款。

### 審核委員會

根據香港聯交所上市規則，本公司董事會轄下審核委員會於一九九九年七月一日成立，其目前成員包括三名非執行董事（即肖瑜、莫仲堃及孫華）。

本公司董事會參照香港會計師公會印製的《成立審核委員會指引》，制定了《審核委員會職責範圍》，其中包括審核委員會的職權和責任。

### 重要事項

2002年度內本公司的重要事項見“重要事項”。

### 主要客戶及供應商

本集團五大原料供應商的採購金額用及五大客戶的銷售額分別佔本公司於截至二零零二年十二月三十一日止年度總採購額及總銷售額之比重分別為16.56%和15.36%。

### Designated Deposits

For the year ended 31 December 2002, the Group had neither placed any deposits with any non-banking financial institutions, nor had it placed any designated deposits. The Group does not have any overdue time-deposits.

### Compliance with the Code of Best Practice

For the year ended 31 December 2002, in the opinion of the Directors, the Company has complied with the Code of Best Practice set out in Appendix 14 of the Listing Rules.

### Audit Committee

Pursuant to the Listing Rules, an audit committee was established on 1 July 1999, and its present members are three non-executive directors, namely Mr. Xiao Yu, Mr. Stephen Mok and Mr. Sun Hua.

By reference to “A Guide for the Formation of An Audit Committee” published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the Audit committee were prepared and adopted by the Board.

### Important Issues

Important issues of the Company for the year 2002 are set out in the section headed “IMPORTANT ISSUES”.

### Major Customers and Suppliers

The aggregate percentages of purchases and sales attributable to the Group's five largest suppliers and five largest customers were 16.56% and 15.36% of the Group's total purchases and total sales values, respectively, for the year ended 31 December 2002.

### 購買、出售及贖回本公司之上市股份

截至二零零二年十二月三十一日止年度內本公司並無贖回本公司之上市股份。本公司及其附屬公司於年度內並無購買任何本公司股份。

### 優先認股權

本公司的公司章程及中國法律並無優先認股權條款。

### 員工退休金計劃

本集團參加國家管理的社會養老及退休保險基金，並按照當地政府的規定繳納保險費。本集團目前向社會養老及退休保險基金繳納的保險費為所有員工每年工資及獎金總額的23%。當地政府承諾支付所有現在和將來退休員工的退休福利支出。所有向社會養老及退休保險基金繳納的保險費將於損益表內作為開支。於截至二零零二年十二月三十一日止之年內，本集團繳納的社會養老及退休保險費為人民幣18,417千元。

### Purchase, Sale and Redemption of the Company's Listed Securities

The Company did not redeem any of its listed shares during the year. Neither the Company nor any of its subsidiaries has purchased any of the Company's shares during the year ended 31 December 2002.

### Pre-emptive Rights

According to the Articles of Association and the laws of the PRC, there is no provision for pre-emptive rights.

### Retirement Scheme Arrangements

The Group participates in State Social Retirement Scheme (the "Scheme") and pays the insurance premium in accordance with the particular regulation issued by the local municipal government whereby the Group is required to make an annual contribution of 23% of the total salaries and bonuses paid to staff. In turn, the local municipal government undertakes to assume the retirement benefit obligations of all existing and future retirees of the Group. Contributions to the Scheme are charged to the profit and loss account as and when they are incurred. For the year ended 31 December 2002, the total contribution of the Group to the Scheme was RMB18,417,000.

### 關聯交易

- (1) 2002年11月12日本公司臨時股東大會審議批准了本公司就動力、材料、原料供應及服務與新華醫藥集團公司所簽訂的協議，取代本公司分別與關聯公司於2002年1月28日簽訂的協議。上述交易為本公司在日常業務中一直進行，並將繼續，並構成香港聯合交易所有限公司上市規則第14.26條所述的關聯交易，根據上市規則，該等關聯交易一般需全面披露，並根據交易金額，需經獨立股東批准。董事會認為此等交易次數頻繁，而且屬本公司日常業務，因此上述披露或獨立股東批准乃不切實可行的做法，因此向聯交所申請豁免。

香港聯合交易所有限公司於2002年11月21日發出豁免函，豁免本公司嚴格遵守其上市規則第14.26條有關規定，同意本公司與新華醫藥集團公司子公司發生的持續關聯交易總額於2004年12月31日前三個財政年度，每年均不超過本集團於該財政年度經審計銷售額的12%。

### Connected Transactions

- a. The new ongoing connected transactions agreements for the mutual sale and purchase of raw materials and provisions of services to and from SXP GC and its subsidiaries (the "New Ongoing Connected Transactions") were approved in the extraordinary general meeting of the Company held on 12 November 2002. The New Ongoing Connected Transaction shall replace the existing ongoing connected transactions entered into on 28 January 2002 between the Company and the connected persons. The New Ongoing Connected Transactions are entered into in the normal and ordinary course of the business of the Company and occur on a regular basis. Pursuant to Rule 14.26 of the Listing Rules, New Ongoing Connected Transactions would require disclosure and prior approval by the independent shareholders of the Company when the value of the transactions will be likely to exceed the stipulated amount. The Directors are of the opinion that the strict compliance with the disclosure and approval requirement under the Listing Rules would be impracticable. Accordingly, the Company applied to the Stock Exchange to grant a new waiver with respect to the New Ongoing Connected Transactions.

The Stock Exchange of Hong Kong Limited has granted a new waiver to the Company on 21 November 2002 from its strict compliance with the disclosure and approval requirements under Rule 14.26 of the Listing Rules with respect to the New Ongoing Connected Transactions. The new waiver was conditional upon the aggregate amount of the New Ongoing Connected Transactions not exceeding such maximum amount representing 12% of the audited consolidated turnover of the Company in the relevant financial year for a period ending 31 December 2004.

### 關聯交易 (續)

### Connected Transactions (continued)

(1.) (續)

a. (continued)

本集團在正常業務範圍內進行之重大有關連人士交易摘要如下：

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		二零零二年 2002 人民幣千元 RMB'000	二零零一年 2001 人民幣千元 RMB'000
與山東新華醫藥集團 有限責任公司	Shandong Xinhua Pharmaceutical Group Company Limited("SXPGC"), immediate holding company		
直接控股公司 購買位於淄博市的 土地使用權	Purchase of land use right in Zibo City, the PRC	—	7,914
與控股公司的附屬公司	With SXPGC's fellow subsidiaries		
銷售製成品及原材料	Sale of finished goods and raw materials	24,337	18,196
採購原材料	Purchase of raw materials	75,726	55,787
租金收入	Rental income	1,630	1,760
支付勞務及其他服務	Payment of labour and other services	12,156	12,156

本公司董事確認上述的交易乃於日常業務過程中進行。本公司獨立非執行董事已經審閱上述關聯交易，並確認該等交易乃本公司在日常業務中按約束該等交易的協議條款訂立。

In the opinion of the Directors, the above transactions were carried out in the ordinary and usual course of the Group's business. The independent non-executive directors have reviewed the above connected transactions and are of the opinion that the transactions are in the ordinary course of business of the Group and carried out in accordance with the terms of agreements governing such transactions.

(2) 本公司為山東新華醫藥集團有限責任公司代墊費用約人民幣5,806,000元(二零零一年：人民幣19,750,000元)，截至二零零二年十二月三十一日，有關代墊費用的餘額為人民幣6,874,000元(二零零一年：人民幣6,038,000元)。此等款項乃是無抵押，無利息及無指定還款日期。

b. During the year, the Company paid certain expenses on behalf of its immediate holding company totally RMB5,806,000 (2001: RMB19,750,000). As at 31 December 2002, the amount due from the immediate holding company in connection to such transactions amounted to RMB6,874,000 (2001: RMB6,038,000), which is unsecured, interest-free and has no fixed term of repayment.

# 董事會報告

## REPORT OF BOARD OF DIRECTORS

### 核數師

本公司及本集團本年度按照香港普遍採納之會計原則及中國會計準則編制的帳目已分別由羅兵咸永道會計師事務所(香港執業會計師)和信永中和會計師事務所(中國註冊會計師)審核。

本公司擬於二零零三年召開的本公司二零零二年度周年股東大會上建議續聘羅兵咸永道會計師事務所和信永中和會計師事務所分別為本公司二零零三年度國際和中國核數師。

承董事會命  
董事長  
賀端湜

二零零三年三月二十一日

### Auditors

The accounts of the Company and the Group for the year 2002 prepared in accordance with HKGAAP and the PRC accounting standards have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("PricewaterhouseCoopers") and Shine Wing, Certified Public Accountants, PRC ("Shine Wing") respectively.

The Company intends to re-appoint PricewaterhouseCoopers and Shine Wing as international auditors and PRC auditors of the Company for the year ending 31 December 2003, respectively, at the forthcoming Annual General Meeting for the year 2002.

By order of the Board  
**He Duanshi**  
*Chairman*

21 March 2003