

**致各位股東：**

本人謹此提呈山東新華製藥股份有限公司(本公司)截至二零零六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」)截至二零零六年十二月三十一日止年度按中國會計準則編制的主營業務收入為人民幣1,667,252千元，較二零零五年度下降1.72%；淨利潤為人民幣22,706千元，較二零零五年度增長319.24%，每股收益人民幣0.05元。

按香港普遍採納之會計原則編制的營業額為人民幣1,685,367千元，較二零零五年度下降1.56%；股東應佔溢利為人民幣22,761千元，較二零零五年度增長17.5倍，每股收益人民幣0.05元。

董事會宣佈及建議派發截至二零零六年十二月三十一日止年度末期股息每股人民幣0.02元(約折合港幣0.0202元，A股含稅)，按已發行307,312,830股A股及150,000,000股H股計算。此建議派發的股息有待周年股東大會審議通過。

**業務回顧**

2006年本公司積極應對國家連續兩次降低藥品價格、化工原料價格高位運行、動力能源及運輸價格持續上漲諸多外部環境影響，致力於市場開拓，狠抓「三個創新」，淨利潤較上年度增長300%以上，產銷率、回款率均完成100%。

**Dear shareholders,**

I hereby present for your review the annual report of the Company for the year ended 31 December 2006.

**Results and Dividends**

In the fiscal year ended 31 December 2006, the income from the principal operations of the Company and its subsidiaries ("Group") prepared under PRC accounting standards was RMB1,667,252,000 representing a decrease of 1.72%, as compared with that of year 2005. The Group recorded its profit of RMB22,706,000 representing an increase of 319.24%, as compared with that of year 2005, earnings per share was RMB0.05.

The Group's sales prepared under HKGAAP were RMB1,685,367,000, representing a decrease of 1.56% as compared with that of year 2005. A profit attributable to shareholders of RMB22,761,000 was recorded, representing an increase of 1750%. Earnings per share was RMB0.05.

The Board of Directors has proposed a final dividend for the year ended 31 December 2006 of RMB0.02 per share (approximately HK\$0.0202 per share, including income tax of A shares) on 307,312,830 A Shares and 150,000,000 H Shares. The proposed dividend is subject to approval by the shareholders of the Company at the annual general meeting of the Company for the year 2006.

**Business Review**

In 2006, the PRC government reduced the drug prices twice in a row. The prices of the chemical raw materials, energy and transportation were maintained at a higher level. The Company took multiple measures, such as intensifying marketing and reinforcing innovation in products, technology and management, to resolve the negative impact of such external factors. The net profit of the Company for the year 2006 increased by over 300% compared with that of last year. The ratios of production to sales and sales to payment were 100% respectively.



## 業務回顧 (續)

### 1. 開拓市場，外經外貿成績顯著

積極開拓市場，出口創佳績。2006年本集團產品出口額首次突破1億美元大關，較上年度增長11.18%，本公司有更多主導產品直接供應國際著名跨國公司。

外經工作進展順利。近年成立的中外合資公司新華百利高公司正處於投產達效階段，中西公司也開始了商業化運作。而與國際知名醫藥企業間合作關係進一步緊密，有關合作項目或意向處於洽談中，進展順利。

### 2. 機制創新，資源整合成效初現

年初公司對分散於各個部門的採購職能進行整合，改革採購模式，通過流程再造、招標比價採購，2006年本公司採購成本較上年降低人民幣29,425千元。

年中本公司對製劑營銷資源進行全面整合，經過半年時間的磨合和調整，已經初見成效，製劑產品銷售業績開始回升，營銷費用明顯下降。製劑營銷資源有效整合，將為本集團製劑產品加快發展開創新的局面。

## Business Review (continued)

### 1. Remarkable results in foreign economic cooperation and overseas export through enhanced marketing

Export increased significantly driven by vigorous marketing. In 2006, the income generated from the export of the Group's product exceeded US\$100 million for the first time, representing an increase of 11.18% as compared to that of last year. More products of the Company were brought into the procurement list of well-known multinational corporations.

Foreign economic cooperation also made a good progress in 2006. Xinhua-Perrigo Company Limited, a sino-foreign joint-venture of the Company has commenced production. Zibo Xinhua-Eastwest Pharmaceutical Company Limited also commenced operation. There has been further cooperation with world-renowned pharmaceutical corporations. Certain cooperation projects and proposals were being negotiated and making remarkable progress.

### 2. Efficiency achieved by integration of resources following the change of internal control mechanisms

At the beginning of the year, the Company reformed its intrinsic procurement mode and centralized the purchase functions from different divisions. Through the reconstruction of process of procurement of the Company and improving the logistics and introducing the system of public bidding, the Company's procurement costs decreased by RMB29,425,000 as compared to that of last year.

In the middle of the year, the Company conducted an overall integration of preparation sales resources. The initial success has been made in sales after six months' adjustment and rectification. The sales of preparation increased and sales expenses declined. The success in integration of preparation sales resources will promote the development of the Company's preparation business.

### 業務回顧 (續)

#### 3. 技術創新，科研開發喜結碩果

2006年公司先後取得了氟康唑氯化鈉注射液、格列美脲片等6個品種7種規格的藥品生產批准文號，「布洛芬微晶產品製備工藝」獲得國家發明專利，已用於產品生產，並產生了良好經濟效益。

公司的國家級企業技術中心獲得山東省重點企業技術中心專項扶持資金人民幣200萬元，在新華國際醫藥工業園西園建設的新科研大樓項目已正式啟動前期工作。

子公司新華百利高公司布洛芬通過美國FDA認證，本年內本公司先後完成39項外商審計工作，新產品三苯雙月米、鹽酸納洛酮通過GMP現場審核。

#### 4. 制度創新，企業發展增添活力

年內本公司對人力資源部等七部門主要負責人實行競聘上崗，對採購部門、製劑營銷部門進行整合，同時加大對部門負責人考核力度，並對部份人員實行輪崗。人力資源的一系列改革，極大地激發企業活力。

進一步完善企業制度，規範行為，公司制定實施了《領導幹部選拔任用暫行辦法》等一系列管理制度。年內公司召開了首屆人才工作大會，並頒佈了《關於加強和改進企業人才工作的決定》，為打造「百年新華」制定了人才發展戰略。

### Business Review (continued)

#### 3. New achievement made in R&D driven by technical innovation

In 2006, the Company obtained approvals for 6 specifications and 7 standards, such as Fluconazole and Sodium Chloride Injection and Glimepiride Tablets. The patented "Preparation of Ceramic Products Ibuprofen" has been applied in the production and brought about economic returns for the Company.

The state-level technical center of the Company has obtained support funds of RMB2 million from Shandong Provincial Core Enterprise Technical Center. A new R&D building located in Xinhua International Pharmaceutical Industrial Park West Park is in initial preparation stage.

Ibuprofen in bulk form produced by Xinhua-Perrigo (a subsidiary of the Company), has obtained FDA certification of the United States. Another 39 audit projects submitted by foreign customers were also finished. New products including Tribendimidine and Naloxone Hydrochloride had also passed on the spot examination of GMP.

#### 4. Staff's enthusiasm increased as a result of the reform of internal mechanisms

During the year 2006, the Company invited applications for the posts of chiefs of 7 departments such as the post of the chief of the human resources department. The procurement departments and preparation sale department were re-structured. The Company also enhanced the assessment and examination of chiefs of departments and adopted a rotation system for certain employees in key posts. All these reforms of the Company have strengthened the management of the Company.

For the purpose of improving and standardizing management systems, the Company formulated and implemented series of new management regulations such as Provisional Rule of Selection of Management. The First Human Resources Convention was held and "Decisions on reinforcement and improvement of human resources" was issued to lay down personnel development strategies.

## 業務回顧 (續)

### 5. 多方協調，股權分置改革順利完成

本公司股權分置改革工作自2005年底開始啟動，歷時半年多時間，經過與多方溝通協調，在最終控股股東和廣大A股流通股東大力支持下，於2006年6月6日圓滿完成。

## 未來展望

2007年國家將對資源性產品價格進行調整，提高環境保護費用徵收標準，蒸汽等動力能源費用大幅度上漲，國際貿易壁壘增多、人民幣升值、出口退稅政策調整等，本公司發展面臨很多不確定因素。

而國內經濟形勢繼續向好，化工原料價格較為平穩，國內城鎮化進程加快，新型農村合作醫療制度全面推開，國家加大對基本醫療衛生事業投入，公司主導產品市場需求繼續看好，基礎設施具備擴大生產條件，均將有利於公司加快發展。為此，2007年主要工作如下：

### 1. 突出「三個開發」，增添發展後勁

突出市場開發。鞏固發展原料藥傳統市場，進一步提升企業主導產品市場地位。加快製劑結構特別是增量結構調整，進一步深化製劑營銷機制改革、創新營銷模式，確保未來三年發展目標實現。

突出科研開發。加大科技投入，重視高技術含量、高附加值製劑藥物研發、新技術儲備，力爭2007年獲得7個新產品批准文號。

突出項目開發。加快項目開發進度，促進增量結構調整，增添企業發展後勁。

## Business Review (continued)

### 5. Share Reform Proposal implemented after multistage negotiations

The Share Reform of the Company began at the end of 2005. After over 6 months' liaison with various parties, the Share Reform was completed on 6 June 2006 with the support of the ultimate shareholder and other domestic A shareholders.

## Prospects

In 2007, the government will adjust the prices of natural resources and raise the levy rates for environmental protection. The expenditure in respect of the consumption of energy and power (such as steam) will increase substantially. Meanwhile, the increase in international trade barrier, appreciation of RMB and adjustments in export tax rebates will give rise to uncertainty on the development of the Company.

However, improved macroeconomic outlook of the PRC, stable prices of chemical materials, expedition of urbanization, establishment of rural cooperative medical system increased investment in the medical care and public health from the government, optimistic growth of demands for the core products of the Company and availability of facilities and capability to expand its production will help to expedite the development of the Company. Therefore, key focus for the Company in 2007 will be as follows:

### 1. Focusing on the development of market, R&D and project development

The Company will continue to consolidate existing pharmaceutical markets and enhance its dominant position. Meanwhile, the Company plans to accelerate the adjustment of preparation product mix especially focusing on incremental adjustment. The Company will also reinforce the reform of preparation sales mechanisms and adopt new sales modes to ensure accomplishing the tasks in the next 3 years.

The Company will continue to increase its investment in R&D and focus on developing new pharmaceutical products by using advanced technology and adding value to its products. At the same time, the Company will acquire new technological knowhow. The Company is applying for the approvals of 7 new products.

The Company will focus on the project development, speed up the progress of existing projects and enhance productivity and strengthen its future development.

## 未來展望 (續)

### 2. 加快技術進步，提高競爭實力

完善相關內部政策，加強引導，加快對傳統原料藥產品技術改造，努力降低原料消耗，降低產品成本。

深入開展公司確定的「節能降耗攻堅年」活動，在2007年大力推進節能新設備、新技術應用，切實抓好節能措施適時上馬，發揮作用。

堅持技術進步，發展循環經濟。堅持技術進步與點源治理、綜合利用相結合，提高資源綜合利用率，提高企業競爭實力，走可持續發展道路。

### 3. 強化企業管理，提高經濟效益

進一步強化預算管理，加強監督、檢查，加強政策研究，有效規避財務風險，確保企業全年目標順利實現。

繼續開展「一品一策」產品技術質量攻關活動，促進原料節約、能源節約和質量提高，努力降低產品成本。

深化採購體制改革，堅持比質比價招標採購制度，強化過程控制，進一步降低採購成本。

## Prospects (continued)

### 2. Promoting technological progress to improve competitiveness

The Company will perfect its internal policies, strengthen its guidance and control and speed up the technological innovation for the production of pharmaceutical products, reduce the consumption of raw materials and lower the production costs.

The Company has decided to promote energy saving and consumption reduction in 2007 by the application of new equipment and the use of new technologies. New energy saving measures will be implemented in due course.

The Company advocates the concept of recycling and insist on improving its technologies. Through integrative application of improved technology, treatment measures of point source pollution and multipurpose use of different types of wastes, the Company is seeking to improve multipurpose use ratio of resources and strengthen its competitiveness for sustainable development.

### 3. Strengthening management to increase profit

By enhancing assessment and examination in budget management and focusing on the research of state policies, the Company will effectively avoid financial risks and ensure the achievement of goal set at the beginning of 2007.

The Company also continues to implement measures to improve production technologies and quality of products, and to promote energy saving and reduction of raw material consumption in order to lower costs of production.

The Company will continue to improve its procurement system, and continue to adopt public bidding in the procurement process and to enhance process control to further reduce the procurement costs.



## 未來展望 (續)

### 4. 深化薪酬制度改革，加強隊伍建設

突出薪酬制度與績效考核制度改革和創新，進一步完善激勵約束機制，充分體現人才市場價值，激發員工積極性、創造性。

著力高技能人才培養，實施「人才接力計劃」，堅持「大人才觀」。採取有效措施，保持企業內部一定數量員工的流動性，激發企業發展活力。

按照精兵簡政、精幹高效原則，繼續深化幹部隊伍改革，繼續推行重點崗位考試錄用制度，大力推行輪崗制和末位淘汰制，提高執行力。

2006年是本集團取得恢復性增長的一年，相信在新的一年裏，在新一屆董事會帶領下，經過全體員工共同努力，本集團生產經營工作將會更加扎實，經濟效益將會實現穩定增長。

郭琴  
董事長

中國·山東·濰博  
二零零七年三月二十三日

## Prospects (continued)

### 4. Reforming remuneration system and enhancing management

Focusing on the reform of remuneration and assessment system, the Company will continue to improve the incentive and discipline mechanisms. The market value of talent will also be considered in the assessment of the staff to stimulate their enthusiasm and creativity.

A plan named "talent relay" will be implemented in the Company to strengthen the training of skillful staff. Series of measures will be implemented to maintain staff flow and company dynamics.

The Company will reform the management team on the principle of reducing redundant personnel and improving efficiency. Reform of the cadre team will be continued and reinforced. The examination methods will be adopted in the hiring of employees of key posts. To increase the management's execution power, a rotation system and a selection system will be carried out in the assessment of the Company's staff.

In 2006, the Group regained its growth. It is believed that under the leadership of the new Board of Directors and with the concerted effort of the staff, the production and operation of the Group will be improved and the profit of the Group will grow steadily in the coming year.

Guo Qin  
Chairman

23 March 2007  
Zibo, Shandong, PRC