

致各位股東：

Dear shareholders,

本人謹此向全體股東報告本公司截至2002年6月30日止6個月的經營業績。

I am pleased to report to you the operating results of the Company for the six months ended 30 June 2002.

本集團截至2002年6月30日止6個月按中國會計準則計算，實現主營業務收入為人民幣600,147千元，比去年同期增長4.93%；淨利潤為人民幣40,987千元，比去年同期下降18.13%。

For the six months ended 30 June 2002, the revenue from principal operations of the Group was RMB600,147,000 and profit after taxation was RMB40,987,000 under PRC accounting standards, representing an increase of 4.93% and a decrease of 18.31% respectively, as compared with the same period of last year.

截至2002年6月30日止6個月，按香港普遍採納之會計原則計算，實現營業額為人民幣600,147千元，比去年同期增長4.93%；股東應佔盈利為人民幣41,523千元，比去年同期下降17.81%。

The Group achieved a turnover of RMB600,147,000 and profit attributable to shareholders of RMB41,523,000 for the six months ended 30 June 2002 under HKGAAP, representing an increase of 4.93% and a decrease of 17.81% respectively, as compared with the same period of last year.

本公司董事會建議不派發截至2002年6月30日止6個月的中期股息。

The Board of Directors of the Company does not recommend any payment of an interim dividend for the six months ended 30 June 2002.

#### (一) 業務回顧

#### A. Review of Operation

受國家連續幾次調低部分藥品零售價格等政策性因素以及醫藥結構性矛盾影響，國內醫藥市場競爭日益激烈；產品出口亦呈現競相壓價態勢。藥品降價是影響本集團效益下降的主要因素。為克服諸多不利因素對公司生產經營工作的影響，2002年上半年本公司繼續推行產品結構調整戰略，狠抓公司基礎管理工作和技術進步，積極開拓產品市場，努力提高產品市場佔有率，增強產品市場競爭力。

Under the influence of the continuous decline in medicine prices as required by the Chinese government and the existing structural contradiction in the domestic pharmaceutical industry, the competition in the domestic pharmaceutical market became more severe. The Company, was also confronted with difficulties in export as a result of the fact that domestic competitors depressed prices of exported products. These lower prices are the main factors that contribute to the decline of the Company's profit. To withstand the pressure of various negative external influences, the Company continued to implement product mix adjustments and improve internal basic management, technologies and marketing strategies to increase market share and the competitiveness of its products both in domestic and overseas markets.

1、 創造市場機會，擴大產品銷售

完善市場快速反應機制，提高產品質量和售後服務質量，提高市場應變能力。加強相關產品的技術儲備，改進設備生產的柔性，根據市場要求，大力開發衍生產品，培育系列化品種，增強公司整體競爭實力，培育新的效益增長點。

強化企業基礎管理工作，完善各項管理制度，以積極的姿態迎接FDA、WHO檢查以及客戶質量審計，2002年上半年本公司阿司匹林產品取得了適用性證書，有關產品FDA檢查也取得階段性成果。上述工作順利開展，將為本公司進一步開拓國際醫藥市場奠定基礎。

加強與客戶聯繫，積極走訪、溝通，謀求深層次合作，建立長期戰略合作夥伴關係，鞏固和發展重點產品、戰略產品市場地位。

努力克服藥品降價負面影響，積極開拓市場，2002年上半年本集團銷售額仍較上年同期增長4.93%。產品出口創匯完成29,680千美元，較上年同期增長13.16%，產品出口工作繼續取得可喜成績。

1. Increase of sales by developing new markets

To improve its capability in adjusting to market changes, the Company continued to improve its "rapid reaction mechanism" by way of improving the quality of products and services, developing advanced technologies in the production of the Company's existing products and improving the elasticity of production facilities. To meet the needs of market, the Company developed series of products from derivation of its existing products.

The Company further strengthened its internal management and amended its rules and regulations in respect of management. In the first half of 2002, the Company passed the examination held by FDA and WHO. The Company's aspirin product also obtained COS. FDA examination for other products had made remarkable progress. All the above events have laid a solid foundation for the promotion of the Company's products in the international market.

The Company focused on communications with clients by way of personal visits and other methods to establish a full and long-term cooperation relationship with customers. The Company put more emphasis on the development on its market position in respect of its main products and strategic products.

In the first half of 2002, despite unfavorable circumstances such as drop in prices of the main bulk pharmaceuticals and preparations, the Company made great effort in marketing its products. Sales of the Group increased by 4.93% during the first half of 2002 as compared with the same period last year. The export of the Company's products also reached USD29,680,000 and increased by 13.16% as compared with the same period of last year.

**2、 加強企業管理，提高產品競爭力**

開展「雙增雙節」、「一品一策」技術攻關活動，努力提高產品收率，降低原材料消耗，降低產品成本，努力降低能源消耗，2002年上半年本公司原材料及能源消耗較上年同期節約人民幣3,760千元；

積極實施比價採購管理辦法，選擇重點原料或重點供應商進行供應商質量審計，在保證原料質量的基礎上，降低採購成本，2002年上半年本公司原材料及輔助材料採購成本較上年同期降低人民幣10,300千元。

強化預算管理，控制非生產性資金支出，節約費用。穩定提高藥品質量，2002年上半年本公司藥品市場抽查合格率100%，從而更好地樹立新華藥品市場形象。

**2. Further improvement of competitiveness by enhanced internal management**

Through continuous activities that are conducive to increasing the Company's revenue, reducing its operating costs and promoting technical improvement of the different production methods for different products, the Company further improved the production yield ratio of its main products and reduced the consumption of raw materials. All these resulted in the reduction of production costs. In the first half of 2002, a total of RMB3,760,000 was reduced in respect of the consumption of raw materials and energy.

The Company also invited public bidding more extensively in all procurement of raw materials and carried out quality audits in purchasing of main raw materials and on the main suppliers. Through these measures, the Group not only controlled the quality of raw materials but also reduced the purchasing costs of raw materials by RMB10,300,000 as compared to the same period of last year.

Through enhanced budget control, the Company tightened its nonproductive expenditures and other expenses. The qualities of drugs were steadily improved. In the first half of 2002, the Company passed all sampling tests for its products and has successfully built up its good image in the market.

**3、 重視產品創新，增添公司發展後勁**

2002年上半年科研部門根據年初確定的目標，開展一系列科技攻關活動，突出重點項目計劃管理，開展科研預算管理活動，完善經濟責任制，進一步推行微機化管理。上半年本公司有四個品種已經向國家藥品監督管理局遞交生產申報資料；國家二類新藥糖尿病治療藥物格列美脲原料藥及其片劑已經投入批量生產。

**4、 資金流動性及財政資源、資本結構分析（按香港會計普遍採納之原則）：**

於2002年6月30日，本集團流動比率為421.16%，速動比率為350.89%，年應收帳款周轉率為218.17%，年存貨周轉率為223.45%，同時本集團貨幣資金為人民幣578,411千元，銀行借款為人民幣330,000千元，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三部分，一是本集團實現的利潤，二是本集團的募股資金，三是金融機構借款。截止到2002年6月30日，本公司所有銀行借款均為固定利率貸款，總額為330,000千元。到2002年6月30日

**3. Increase of new products**

In the first half of 2002, for the purpose of achieving the targets set out at the beginning of the year, the research institute of the Company conducted a series of research experiments. The emphasis of the work was put on the planning and budget management of main research projects, economic responsibility system and application of computers in management. The Company also applied to the State Drug Administration of the PRC for approval of four (4) new products in the first half of 2002. The glimepiride, a Class II new drug for treatment of diabetes disease, both in bulk and tablet form has been placed on mass production.

**4. Analysis of the Group's liquidity and financial resources under HKGAAP**

As at 30 June 2002, the current ratio and the quick ratio of the Group were 421.16% and 350.89% respectively. The rate of accounts receivable turnover and the rate of stock turnover were 218.17% and 223.45% respectively. The Group had RMB578,411,000 of cash on hand and in bank and RMB330,000,000 of bank loans. This is a good financial indicator showing that the Group's capital float was healthy and its debt payment ability was strong.

The Group has no apparent seasonal capital requirement.

The capital of the Group mainly comprised: the Group's profits achieved, the proceeds raised from the issue of shares and the loans borrowed from financial institutions. As at 30 June 2002, the total amount of the bank loans of the Company was RMB330,000,000 at a fixed interest rate and cash on hand and in bank amounted to RMB578,411,000, among which

本公司共有貨幣資金578,411千元，其中有519,094千元以定期存款的方式存在幾家銀行中。對於公司現有的資金，一是公司將按照募股說明書披露的用途將A股資金充分利用好，二是按照效益和風險並重的原則利用好其他資金。

於2002年6月30日，本公司共有對外投資人民幣55,277千元，其中對天同證券有限責任公司股權投資人民幣30,000千元，對交通銀行和太平洋保險公司分別投資人民幣13,577千元及人民幣7,000千元，目前，這三家公司均處於正常運作中而本公司對該等投資亦充滿信心。

於2002年6月30日，本集團無質押的資產。

本公司未來計劃重大投資項目均為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，詳見第6部分的「募集資金使用情況」。

本集團的資本負債率為23.77%。  
(資本負債率=借款總額/股本及儲備總額\*100%)

本集團現有的銀行存款主要是本公司A股增發募集資金，主要目的是為生產經營及科研開發投入作資金準備。

於2002年6月30日，本集團無或有負債。

RMB519,094,000 was deposited in different banks. The Company will invest the proceeds raised from the issue of new A Shares in the projects disclosed in the prospectus and use other funds reasonably.

As at 30 June 2002, the total amount of investments of the Company was RMB55,277,000, including equity investments of RMB30,000,000 in Tiantong Securities Company Limited, RMB13,577,000 in The Bank of Communication and RMB7,000,000 in The Pacific Insurance Corporation. The Company is confident about the returns of the above investments given the good operating results shown by these companies so far.

As at 30 June 2002, there was no charge on the Group's assets.

The future plan of the material investments of the Company will be focused on the projects using the proceeds from the issue of new A Shares as referred to under Section 6 "Use of Proceeds" below.

The gearing ratio of the Group was 23.77%. (The gearing ratio = the total borrowings/Share capital & total reserves x 100%)

The existing deposits of the Group mainly comprised the proceeds from the issue of new A Shares and will be mainly used in the production, sales, research and development of the Company's products.

As at 30 June 2002, the Group had no contingent liabilities.

5、經營狀況及財務狀況分析(按中國會計準則)

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。

2002年上半年本集團實現主營業務收入600,147千元，較去年同期增長4.93%，主營業務收入增長的主要原因是本公司積極開拓市場、特別是國際醫藥市場，主導產品銷量擴大；現金及現金等價物淨增加額為人民幣-38,619千元，去年同期為人民幣29,716千元，變化的主要原因是今年上半年本集團投資額較上年同期大幅度增加；主營業務利潤、淨利潤分別為人民幣156,343千元、人民幣40,987千元，較上年同期分別下降8.88%、18.13%，利潤下降的主要原因是本集團產品價格下降。

於2002年6月30日，本集團總資產為人民幣1,871,588千元，較期初增加人民幣34,868千元，增長1.90%，增長的主要原因是2002上半年本集團經營產生盈利；長期負債為人民幣203,562千元，較期初增加50,000千元，增長的主要原因是本集團銀行借款增加；股東權益為人民幣1,379,849千元，較期初增加人民幣39,325千元，增長2.93%，增長的主要原因是2002上半年度本集團經營產生盈利。

5. Results and Financial Analysis under PRC accounting standards

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

In the first half of 2002, the Group achieved a turnover of RMB600,147,000, representing an increase of 4.93% as compared to the same period of last year. The increase was mainly attributable to the development of markets, especially the overseas pharmaceutical markets. Net cash and cash equivalents decreased by RMB38,619,000 as compared to an increase of RMB29,716,000 achieved in the same period of last year. The reason for the decrease was mainly due to the increases of investments of the Group as compared to that of last year. Profit from principal operations and profit after taxation for the first half of 2002 amounted to RMB156,343,000 and RMB40,987,000 respectively, representing decreases of 8.88% and 18.13% respectively, which mainly attributable to the drop in medicine prices.

Total assets of the Group as at 30 June 2002 amounted to RMB1,871,588,000, increased by RMB34,868,000 or 1.90% as compared to that as at 1 January 2002. The increase was mainly due to the profit achieved in the first half of 2002. The total long-term liabilities of the Group were increased by RMB50,000,000 to RMB203,562,000 as compared to that as at 1 January 2002, which was mainly due to the increase of loans borrowed during the first half of 2002. Shareholders' equity of the Group as at 30 June 2002 increased by RMB39,325,000 or 2.93% to RMB1,379,849,000, as compared to that as at 1 January 2002. The increase was mainly attributable to the profits of the Group achieved in the first half of 2002.

主營業務收入按地區分佈：

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

主要銷售地	Geographical Location	2002年1-6月 first half of 2002		2001年1-6月 first half of 2001	
		收入 Total turnover 人民幣千元 RMB'000	成本 Costs 人民幣千元 RMB'000	收入 Total turnover 人民幣千元 RMB'000	成本 Costs 人民幣千元 RMB'000
中國(含香港)	PRC (incl. Hong Kong)	364,637	263,576	361,864	246,601
歐洲	Europe	79,193	61,090	74,983	57,802
美洲	Americas	90,137	73,168	69,264	51,666
其他	Other	66,180	43,467	65,853	40,881
合計	Total	<u>600,147</u>	<u>441,301</u>	<u>571,964</u>	<u>396,950</u>

#### 6、募集資金使用情況

本公司於2001年9月3日增發3300萬股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，截至2002年6月30日，共使用募集資金人民幣61,245千元，主要用於以下項目：

#### 6. Use of Proceeds

On 3 September 2001, the Company raised an amount of RMB370,517,000 from the issue and offer of 33,000,000 A Shares (including the offer of 3,000,000 State-owned shares). As at 30 June 2002, a total of RMB61,245,000 was used in the following projects:

投資項目名稱	Name of project	募集資金 投入計劃 Total investment 人民幣千元 RMB'000	2002年 實際投入 Actual investment in 2002 人民幣千元 RMB'000	累計投入 Accumulated amount of investment 人民幣千元 RMB'000	完成計劃投 資額的比例 % of the total investment	備註 Remarks
咖啡因技術 改造項目	Caffeine technical renovation	160,000	11,230.1	14,849.8	9.28%	已經開始土建工程 construction of factory building started
L-350技術改造項目	L-350 technical renovation	29,980	3,534.8	15,672.7	52.28%	基本完工 basically finished
安乃近精幹包 (GMP) 改造項目	Analgin GMP renovation	39,800	8,923.9	30,722.5	77.19%	基本完工 basically finished
合計	Total		<u>23,688.8</u>	<u>61,245.0</u>		



註：

1、 咖啡因技術改造項目正在緊張地施工當中。安乃近精幹包(GMP)改造項目基本完工，並於2002年7月22日一次性投料試車成功。

2、 尚未使用的資金存於銀行，將按照招股說明書披露的項目進行使用。

Notes:

1. The Caffeine renovation project is under construction. The Analgin GMP renovation project was basically finished and a successful trial run was made on 22 July 2002.

2. The remaining proceeds were deposited with banks and will be used in accordance with the prospectus.

## (二) 下半年計劃

針對2002年上半年所面臨的經營形勢，本公司將認真總結經驗和不足，努力克服經營環境的影響，突出重點市場和重點產品，加大市場開拓力度，提高主導產品和戰略品種的市場佔有率，發揮規模經濟優勢和整體競爭優勢；進一步強化基礎管理，堅持管理創新，促使先進管理理論與公司實際相結合；深入開展市場調研工作，用好政府相關政策，抓住機遇，促進企業快速發展。

### 1、 突出重點市場和重點產品，加大開拓力度

鞏固和發展傳統產品市場，穩定發展客戶關係，擴大銷售。狠抓製劑新產品市場定位，根據產品特點和市場特徵，制訂切實可行市場開發措施，採取靈活多樣的營銷手段和方法，有選擇地開發目標市場，以此為突破口，爭取新產品銷售取得恢復性增長。

進一步完善全程風險控制體系及相關制度和管理辦法，努力降低經營風險，提高經濟運行質量。

## B. Prospects for the Second Half of the Year

By analyzing the situation confronted in the first half of 2002, the Company will sum up its experience in operations so that it can take corresponding measures to overcome the unfavorable external efforts. Focused on the main markets and products, the Company will make full use of its advantages in respect of economy of scale and the comprehensive competitiveness in the pharmaceutical market to enlarge the sales of main and strategic products. By introducing the new theories and methods in the practice of management, the Company will promote the improvement of its internal management. The Company will also enhance its marketing strategies and make full use of the favourable policies promulgated by the local government to seek for rapid development.

### 1. To enhance marketing strategies by focusing on the profitable products on the main markets

The Company will continue to strengthen its position on existing markets and enhance its association with customers to improve sales. In respect of the new products, the Company will adopt diversified marketing policies and methods to promote new drugs according to the different characters of new products and individual markets. Through the development of the selected target markets, the Directors expect that the Company will increase the sales of new drugs.

Meanwhile, the Company will make effort to reduce the operational risks and improve the operational results by improving its risk control management and relative rules and regulations throughout the course of its sales.



**2、 強化基礎管理，堅持管理創新**

堅定不移地開展「雙增雙節」活動和「一品一策」產品技術攻關活動，調整產品結構，狠抓效益品種和暢銷產品的增產；圍繞本公司年初確定的產品技術攻關目標，進一步改善產品質量，努力降低產品成本，提高產品競爭力；積極開展全員「合理化建議」活動，集思廣益，為公司發展作貢獻。

以迎接全國質量管理獎創獎現場檢查、GMP認證、ISO14001環保管理體系復審以及ISO9001質量管理體系換版認證工作為契機，營造良好學習氣氛；引進學習型組織管理理論，大力推進管理創新。

**3、 抓住機遇，促進企業快速發展**

充分利用本公司原料藥、精細化工生產的良好基礎，充分發揮本公司於國際市場上的影響力，抓住來料加工合作機會，強化來料加工產品技術攻關，培育新的效益增長點。

抓住世界經濟結構調整的新機遇，充分研究國家有關政策，積極謀求與國際有一定實力的醫藥企業進行合資、合作，帶動本公司發展；同時根據本公司發展需要，積極探索與國內醫藥工商企業合作可能性。

董事長  
賀端湜

**2. To improve the basic management and promote creativity**

The Company will continue to carry out the activities that are conducive to increase the Company's revenue, reducing its operating costs and promoting technical improvement of the different production methods for different products of the Company. Focused on the technical targets set at the beginning of the year, the Company will enhance its competitiveness by improving the quality of products and reducing the production costs. The Company also encourages each of its staff to take part in activities of "rationalization proposal" to encourage creative thinking and enhance development of the Company.

The Company is now preparing for the examination of the National Quality Management Award, the certification of GMP, the re-examination of ISO14001 circumstance certification and certification of new edition of ISO9001 standards. In addition to the preparations for these works, the Company is also introducing a management theory of "Learning Organization" to promote the creativity of the Company.

**3. To promote the development of the Company**

Capitalizing on the Company's experience in bulk pharmaceuticals and fine chemicals, the Company intends to utilise its influence on the international market to establish cooperation with more foreign companies by way of processing contracts. By improving its processing technology, the Company has confidence that such processing business would become a new source of profit.

Capitalizing on the opportunity emerged in the structural adjustment of the world economy, the Company will strive to cooperate with renowned multinational companies which is subject to the policies promulgated by the PRC government. The Company will also study the possibility of cooperation between domestic pharmaceutical companies to meet its needs for development.

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