

董事長報告

CHAIRMAN'S STATEMENT

致各位股東：

本人謹此向全體股東報告山東新華製藥股份有限公司（「本公司」）及其附屬公司（統稱為「本集團」）截至2003年6月30日止6個月的經營業績。

本集團截至2003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677,351千元，比去年同期增長12.86%；淨利潤為人民幣43,353千元，比去年同期增長5.77%。

截至2003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677,351千元，比去年同期增長12.86%；股東應佔盈利為人民幣43,974千元，比去年同期增長6.11%。

本公司董事會建議不派發截至2003年6月30日止6個月的中期股息。

Dear shareholders,

I am pleased to report the operating results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003.

For the six months ended 30 June 2003, pursuant to PRC accounting standards, the revenue from principal operations of the Group was RMB677,351,000 and profit after taxation was RMB43,353,000, representing increases of 12.86% and 5.77% respectively, as compared with the amounts achieved for the same period of last year.

The Group achieved a turnover of RMB677,351,000 and profit attributable to shareholders of RMB43,974,000 for the six months ended 30 June 2003 under HKGAAP, representing increases of 12.86% and 6.11% respectively, as compared with the amounts achieved for the same period of last year.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2003.

業務回顧

2003年上半年受美伊戰爭影響，以石油為基礎的化工原料價格大幅上揚；國內醫藥市場雖經治理整頓，但無序競爭局面未從根本上改觀；雖然「非典」時期與「非典」有關藥品銷售增長，但住院醫療的患者減少，臨床用藥量大幅下降。為克服諸多不利因素對公司經營活動的影響，本公司認真進行市場分析，及時調整營銷策略，銷售收入實現兩位數增長，淨利潤取得約6%的增長。同時，放眼未來，狠抓科研開發，確保技術改造項目順利實施，為公司增添發展後勁。

Review of Operation

For the first half of 2003, whilst under the effects of Iraq War, the prices of petrochemicals and refinery products raised substantially. Meanwhile, disorderly competition continued to exist in the pharmaceutical industry of the PRC. Although the sales of medicines used for the treatment of Severe Acute Respiratory Syndrome ("SARS") increase in the SARS period, the clinical usage of medicines decreased due to fewer patients in hospitals during the outbreak of SARS. To eliminate the effects on its business activities as a result of these unfavorable factors, the Company analysed the situation closely and devised new marketing strategies. As a result, the Company realized a double digit percentage increase in the sales and the profit after taxation increased by 6%. Further, by emphasizing on scientific research in new products and the development of existing technical renovation projects, the Company is looking towards the future for its continued growth and development.

1. 確保技術改造項目順利實施。咖啡因產品技術改造項目進展較為順利，目前已經完成設備安裝，進入調試階段。針劑GMP改造項目雖受「非典」等不利因素影響，晚開工2個月左右時間，但本公司仍然爭取按原計劃完成施工建設。
 2. 技術進步取得新的成果。2003年上半年本公司共取得包括法莫替丁氯化鈉注射液在內9個品種規格新藥批文；完成客戶特殊品質要求質量技術改進項目6項；產品技術攻關取得預期效果，上半年實現原料節約人民幣2,640千元。
 3. 堅持產銷回平衡營銷策略，強化風險管理。在進一步加強市場網絡建設，狠抓代理和終端網絡建設，批發、零售並舉的同時，完善風險管理制度，最大限度減低經營風險。6月末應收帳款較1季度末降低近人民幣8,000千元。
 4. 樹立良好公眾形象。本公司秉承「創造健康、貢獻人類」經營理念，在「非典」時期，本公司上下同心同德、全力以赴生產防治「非典」藥品，最大限度滿足疫區需要，樹立了良好公眾形象。
1. **Existing technical renovation projects progressing smoothly.** The Caffeine Project progressed smoothly by completing the installation of equipment and reaching the stage of shakedown test. The Injection GMP Renovation Project started 2 months later than planned due to the impact of SARS. However, the Company still insisted on the completion of the Injection GMP Renovation Project according to its original schedule.
 2. **Scientific research of the Company made new grounds.** Nine new products in total with different specifications, such as famotidine injection, have been granted approvals in the first half of 2003. The Company completed the review and improvement of its production techniques for six products with an aim to improve the quality of these products to meet the requirements of different customers. Meanwhile, the Company has reached its target set earlier in the year for the reduction of its consumption of raw materials by RMB2,640,000 through the improvement of its technologies.
 3. **Risk management enhanced by insisting on the balance of revenue and expenditure.** The Company continued to expand its sales networks, both retail and wholesale, through the cooperations with sales agents and end-users. Further, the Company improved its risk management system to eliminate as much business risks as possible. The amount of accounts receivable at the end of June, 2003 was decreased by approximately RMB8,000,000 from the end of first quarter of 2003.
 4. **The Company gained a good reputation in the public.** During the SARS period, the Company adhered to the idea of bringing good health to people and making a contribution to humanity. The management and employees of the Company worked cohesively and devoted their every effort to the production of drugs used for the prevention and treatment of SARS. The Company tried its best to meet the requirements of the disaster areas of the PRC and it gained a good reputation in the eyes of the public of the PRC.

5. 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2003年6月30日，本集團流動比率為184.81%，速動比率為148.26%，年應收帳款周轉率為223.90%，年存貨周轉率為232.58%。本集團資金流動性較好，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份，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2003年6月30日，公司所有銀行借款均為固定利率貸款，總額為人民幣330,000千元。到2003年6月30日公司共有貨幣資金人民幣429,978千元，本集團現有的銀行存款主要是本公司A股增發募集資金、本公司生產經營周轉資金和留存盈利，主要目的是為生產經營及科研開發投入作資金準備。

本公司未來計劃重大投資項目均為A股增發承諾項目，資金主要來源於A股增發所募集資金。

於2003年6月30日，本公司共有對外投資人民幣63,555千元，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。

於2003年6月30日，本集團無質押的資產。

5. Analysis of the Group's liquidity and financial resources under HKGAAP:

As at 30 June 2003, the current ratio and the quick ratio of the Group were 184.81% and 148.26% respectively. The rate of accounts receivable turnover and the rate of stock turnover were 223.90% and 232.58% respectively. The Group maintained good liquidity and has the ability to repay its debts as they fall due.

The Group's demand for funding was not subjected to any seasonal fluctuation.

The capital of the Group comprises mainly of three sources namely, the Group's profits achieved, the proceeds raised from the issue of shares and the loans borrowed from financial institutions. As at 30 June 2003, the Company's total amount of fixed interest rate bank loans was RMB330,000,000 and cash on hand and in bank amounted to RMB429,978,000. The existing deposits of the Company are mainly comprised of the proceeds from the issue of new A Shares, working capital and retained profit which will be mainly used in the production, sales, research and development for the Company's products.

The future plan of material investments of the Company will be funded by proceeds from the issue of new A Shares.

As at 30 June 2003, the total amount of investments of the Company was RMB63,555,000, 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. At present, these companies are operating and managed well.

As at 30 June 2003, there was no charge on the Group's assets.

本集團的資本負債率為23.05%。(資本負債率=借款總額/股本及儲備總額*100%)

As at 30 June 2003, the gearing ratio (total borrowings/share capital & total reserves x 100%) of the Group was 23.05%.

於2003年6月30日，本集團無或有負債。

As at 30 June 2003, the Company had no contingent liabilities.

6. 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、醫藥製劑、化工及其他產品。本集團利潤主要來源於主營業務。

2003年上半年本集團實現主營業務收入人民幣677,351千元，較去年同期增長12.86%，主營業務收入增長的主要原因是本公司積極開拓市場，特別是國內醫藥流通領域市場的大規模擴張，以及本公司主導產品銷量擴大；現金及現金等價物淨增加額為人民幣-73,489千元，去年同期為人民幣-38,619千元，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164,093千元、人民幣43,353千元，較上年同期分別上升4.96%、5.77%，利潤上升的主要原因是本集團加大市場開發力度，擴大銷售；強化技術進步，提高工藝水平，降低產品成本。

6. Results and Financial Analysis under PRC accounting standards

The Group is mainly engaged in the development, manufacturing and sales of bulk pharmaceuticals, pharmaceutical preparations, chemical products and other products. The profit of the Group is mainly attributable to this principal business.

In the first half of 2003, the Group achieved a turnover of RMB677,351,000, representing an increase of 12.86% as compared to the same period of last year. The increase was mainly attributable to the development of markets, especially the massive expansion of domestic circulation of medicines and the increase in sales volume of the main products of the Company. Net cash and cash equivalents decreased by RMB73,489,000 as compared to a decrease of RMB38,619,000 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 2003 amounted to RMB164,093,000 and RMB43,353,000 respectively, representing increases of 4.96% and 5.77% respectively, which were mainly attributable to the increase in the sales resulted from the Company's enhanced marketing and the reduction of costs due to the improvement of the Company's production technologies.

董事長報告

CHAIRMAN'S STATEMENT

於2003年6月30日，本集團總資產為人民幣2,027,233千元，較期初增加人民幣121,777千元，增長6.39%，增長的主要原因是2003上半年本集團在建工程增加；長期負債為人民幣3,562千元，未發生變化；股東權益為人民幣1,423,023千元，較期初增加人民幣43,353千元，增長3.14%，增長的主要原因是2003上半年度本集團經營產生盈利。

主營業務收入根據銷售地及產品之分析

Total assets of the Group as at 30 June 2003 amounted to RMB2,027,233,000, an increase of RMB121,777,000 or 6.39% as compared to that as at 1 January 2003. This increase was mainly due to the increase in the construction in progress in the first half of 2003. The total long-term liabilities of the Group as at 30 June 2003 were RMB3,562,000. There was no change in the Group's total long-term liabilities. Shareholders' equity of the Company as at 30 June 2003 increased by RMB43,353,000 or 3.14%, as compared to that as at 1 January 2003, to RMB1,423,023,000. This increase was mainly attributable to the profits of the Group achieved in the first half of 2003.

An analysis of the Group's turnover by various geographical locations of customers and by products is as follows

		2003年1-6月 First half of 2003		2002年1-6月 First half of 2002	
主要銷售地 By geographical location of customers		收入	成本	收入	成本
		Total turnover	Costs	Total turnover	Costs
		人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
中國(包括香港)	PRC (incl. Hong Kong)	434,956	320,581	364,637	263,576
歐洲	Europe	84,008	64,769	79,193	61,090
美洲	Americas	97,541	78,026	90,137	73,168
其他	Others	60,846	47,525	66,180	43,467
合計	Total	<u>677,351</u>	<u>510,901</u>	<u>600,147</u>	<u>441,301</u>
分產品 By products		主營業務收入 Income from principal operations 人民幣千元 RMB'000		主營業務成本 Profit from principal operations 人民幣千元 RMB'000	
				毛利率 Rate of gross margin (%)	
原料藥	Bulk pharmaceuticals		412,085	322,766	21.67
製劑	Preparations		245,709	171,555	30.18
化工產品及其他	Chemical products and other products		19,557	16,580	15.23
合計	Total		<u>677,351</u>	<u>510,901</u>	<u>24.57</u>

7. 募集資金使用情況

本公司於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2003年6月30日，共使用募集資金人民幣224,910.2千元，主要用於以下項目：

募集資金投資項目名稱 Name of project	募集資金 投入計劃	2003年 實際投入	累計投入	完成計劃 投資額的比例	備註 Remarks
	Total	Actual	Accumulated	% of the	
	investment	investment	amount	total	
	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	investment	
國家級技術中心改造項目 State-level technical center renovation	74,500	2,890	10,123	13.59%	
針劑GMP改造項目 Injection GMP renovation	80,000	3,970	11,737	14.67%	
咖啡因技術改造項目 Caffeine technical renovation	160,000	72,978.7	139,808	87.38%	已完成設備安裝 Installation of equipment completed
L-350技術改造項目 L-350 technical renovation	29,980	483.4	23,442.2	78.19%	基本完工 Substantially completed
安乃近精幹包(GMP)改造項目 Analgin GMP renovation	39,800	1,627.9	45,754.7	114.96%	已經完工，其中人民幣 5,954.7千元為自有資金投入。 目前處於達產達效階段。 Completed and invested RMB5,954,700 from internal resources
合計 Total		81,950	230,864.9		

尚未使用的募集資金存於銀行，將按照承諾投資項目使用。

7. Use of Proceeds

On 3 September 2001, the Company raised an amount of RMB370,517,000 from the public offer and issue of 33,000,000 A Shares (including the sales of 3,000,000 State-owned shares). As at 30 June 2003, a total of RMB224,910,200 was used in the following projects:

The remaining proceeds were deposited with banks and will be used in accordance with the Company's prospectus dated 24 August 2001 in respect of the offer and issue of the A Shares.

下半年計劃

2003年11月1日是本公司60周年慶典的日子，公司全體員工正以豪邁心情，為發展「百年新華」而出謀劃策。

下半年主要抓好以下幾項工作：

1. 積極開拓市場，擴大銷售，特別是重點效益品種、戰略性品種和新產品銷售，強化風險管理，加快結構調整，提升公司盈利水平。
2. 以迎接客戶產品質量審計、部分產品GMP認證為契機，進一步改善硬件環境，提高軟件檔次和管理水平。
3. 抓住世界經濟結構調整機遇，通過接觸、交流，與客戶建立長期穩定的合作夥伴關係的同時，從產業鏈、比較優勢角度積極探索合資合作機會。
4. 以迎接60周年慶典為序幕，充分討論、研究發展戰略和長遠規劃，為發展「百年新華」做好準備。
5. 狠抓基礎管理，突出應收賬款管理，深入開展以提高產品質量、減低產品成本為主綫的「技術進步年」活動，增強企業競爭力；加強科研隊伍、營銷隊伍、生產隊伍、管理隊伍建設，為迎接大發展奠定物質基礎。

賀端湜
董事長

2003年7月25日
中國山東省淄博市

Prospects for the Second Half of the Year

The Company will celebrate its diamond jubilee on 1 November 2003. All members of staff of the Company will use their best resolve to achieve the best results for the Company towards its centenary.

In the second half of 2003, the Company will make effort to achieve the following major objectives:

1. The Company plans to improve its profit-making capability by enhancing its marketing, increase the sales of its main products, strategic products and new products and accomplish adjustments in achieving an optimal product mix.
2. Through quality audits of its products conducted by the Company's customers and the Company's GMP certification, the Company will further improve its production facilities and software as well as its production management.
3. By seizing opportunities arising from the worldwide adjustments to the global economic structure, the Company will continued to pursue long-term cooperation with customers both in the domestic and overseas markets based on its product chain and comparative advantages achieved through sustained customer contact and communication.
4. Capitalizing on its diamond jubilee celebration, the Company is launching talks for and mapping out its long-term programme for future development in preparation for its centenary.
5. Based on enhanced basic management and focusing on the control of account receivables, the Company will seek improvement of its competitiveness by means of improving its product quality and will reduce its production costs in the "Year of Technical Improvement". It will also strengthen its effort in research, marketing, production and management for further development.

He Duanshi
Chairman

25 July 2003
Zibo, Shandong, PRC