

本董事會謹向股東提呈本公司二零零五年董事會報告和本公司及本集團截至二零零五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

#### 1. 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。扣除少數股東應佔業績後之本公司及其附屬公司（統稱為「本集團」）利潤，主要來源於主營業務。

#### 銷售分析

本集團截至二零零五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1,696,515千元，其中化學原料藥、製劑、商業流通、化工產品及其他銷售額所佔比重分別為57.42%、17.57%、24.06%、0.95%，分別較二零零四年上升2.53個百分點、下降2.02個百分點、下降0.37個百分點和下降0.14個百分點。

二零零五年本集團化學原料藥銷售總額完成人民幣974,186千元，較上年度增長17.43%，增長的主要原因是本公司充份發揮自身競爭優勢，加大市場開拓力度，國際國內市場繼續擴大；根據市場情況適時調升原料藥銷售價格。

製劑產品銷售額完成人民幣298,039千元，與上年同期基本持平。

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 2005.

### MANAGEMENT DISCUSSION AND ANALYSIS

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

The Company and its subsidiaries (the "Group") are mainly engaged in the development, production and sales of bulk pharmaceuticals, preparations, chemical products and other products. The profit of the Group, net of share of results of minority shareholders is mainly attributable to its principal operations.

#### Sales Analysis

Under PRC accounting standards, the Group achieved a turnover of approximately RMB1,696,515,000 for the year ended 31 December 2005. Sales of bulk pharmaceuticals accounted for 57.42% of the total sales of the Group, representing an increase of 2.53% as compared with 2004. Sales of preparations, medical logistics, chemical and other products accounted for 17.57%, 24.06% and 0.95% respectively of the total sales of the Group, representing a decrease of 2.02%, an decrease of 0.37% and a decrease of 0.14% respectively as compared with 2004.

In 2005, Sales of bulk pharmaceuticals of the Group were increased by 17.43% to approximately RMB974,186,000. The increase was mainly due to the deepening of market promotion and full utilization of the Company's advantages, which resulted in an ongoing development of markets both in domestic and overseas, as well as the increases of price of bulk pharmaceuticals subject to the change in the markets.

Sales of preparations was approximately RMB298,039,000, kept on an equal basis as compared to that of last year.

### 經營管理研討與分析 (續)

#### 1. 主營業務範圍及其經營狀況 (續)

商業流通完成銷售額人民幣408,199千元，較上年度增長10.56%，增長主要原因是本集團商業物流中心及其下屬醫藥批發超市的營業規模不斷擴大。

化工產品及其他銷售額完成人民幣16,091千元，較上年度下降2.08%。

#### 業績分析

截止二零零五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1,229千元；按中國會計準則審計的淨利潤為人民幣5,416千元。本年度本集團實現扭虧為盈，主要原因為：

1. 本集團抓住主導原料藥旺銷機遇，擴大銷售，同時適時調升產品價格。
2. 本集團通過實施一系列節能降耗、產品技術改善、控制費用支出等措施，產品成本降低。

### MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

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

Turnover generated from the medical logistics business was approximately RMB408,199,000, increased by 10.56% as compared to that of Last year. The main reason for the increase was attributable to the ever-expanding of commercial logistic centre and pharmaceutical wholesaling supermarket under the Group's operation.

The sales of chemical and other products were approximately RMB16,091,000, decreased by 2.08% as compared with that of last year.

#### Results Analysis

The Group's profit attributable to the equity holders of the Company for the year ended 31 December 2005 prepared in accordance with HKGAAP were approximately RMB1,229,000 and the profit after taxation prepared in accordance with PRC accounting standards was approximately RMB5,416,000. The Group realised a turnaround from loss to profit in 2005. The main reasons for the profit were:

1. the increase of sales revenue and improvement of prices by catching hold of the opportunities in booming sales of major bulk pharmaceutical.
2. the reduction in production costs resulted from a series of measures such as energy saving, consumption reduction of raw material, key technology deployment and cost control.

## 經營管理研討與分析 (續)

## MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

## 1. 主營業務範圍及其經營狀況 (續)

## 1. Business scope and operating results of the Company (continued)

主要產品及其於中國市場佔有率為：

Major products and the corresponding market share in the PRC are set forth below:

主要產品	Major Products	佔二零零五年 總銷售額百分比(%) As % of total sales in 2005	二零零五年 國內市場佔有率(%) Market share in the domestic market in 2005
<b>A. 化學原料藥</b>	<b>A. Bulk Pharmaceuticals</b>		
安乃近	Analgin	14.84	45.13
咖啡因	Caffeine	8.55	28.79
氨基比林	Aminopyrine	4.32	66.12
阿斯匹林	Aspirin	8.23	84.90
氫化可的松	Hydrocortisone	2.62	38.22
吡哌酸	Pipemidic acid	1.82	100
布洛芬	Ibuprofen	2.87	33.47
茶碱	Theophylline	1.20	31.05
<b>B. 製劑</b>	<b>B. Preparations</b>		
吡哌酸片	Pipemidic acid tablets	2.13	N/A
複方甘草片	Co-liquorice tablets	1.31	3.87
尼莫地平片	Nimodipine tablets	1.06	13.27

## 按中國會計準則對財務狀況、經營成果的分析

## Financial and results analysis in accordance with PRC accounting standards

二零零五年本集團總資產為人民幣2,207,053千元，較年初人民幣2,298,470千元減少人民幣91,417千元，降低3.98%，總資產減少的主要原因是本集團2005年償還了部份銀行借款。2005年年末股東權益為人民幣1,343,493千元，較年初人民幣1,340,005千元增加人民幣3,488千元，上升0.26%，增加的主要因為2005年本集團經營產生盈利。

Total assets of the Group as at 31 December 2005 decreased by 3.98% or approximately RMB91,417,000 to approximately RMB2,207,053,000, as compared with the figure at the beginning of the year of approximately RMB2,298,470,000. This decrease in total assets was mainly due to the repayment of certain bank loans. Shareholders' equity (excluding minority interest) of the Group as at 31 December 2005 increased by approximately RMB3,488,000 or 0.26% from approximately RMB1,340,005,000 at the beginning of the year to approximately RMB1,343,493,000. The increase in shareholders' equity (excluding minority interest) was mainly attributable to profit made by the Group in the year 2005.

### 經營管理研討與分析 (續)

#### 1. 主營業務範圍及其經營狀況 (續)

##### 按中國會計準則對財務狀況、經營成果的分析 (續)

二零零五年本集團負債總額為人民幣862,469千元，較年初人民幣955,560千元減少人民幣93,091千元，降低9.74%，減少的主要原因是本集團2005年償還了部分銀行借款。

二零零五年度本集團實現主營業務利潤為人民幣296,077千元，較上年同期增加人民幣61,276千元，上升26.10%；淨利潤為人民幣5,416千元，二零零五年本集團扭虧為盈，主要原因見「業績分析」。

二零零五年度末本集團現金及現金等價物淨增加額為人民幣17,567千元，現金及現金等價物淨額變動的主要原因為：2005年加大壓欠力度及努力壓縮成品資金佔用，導致經營活動產生的現金流量淨額為人民幣178,859千元。

### MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

#### 1. Business scope and operating results of the Company (continued)

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

The total liabilities of the Group as at 31 December 2005 were approximately RMB862,469,000, representing a decrease of approximately RMB93,091,000 or 9.74%, as compared approximately RMB955,560,000 at the beginning of the year. The decrease was mainly attributable to the repayment of certain bank loans.

Profit from principal operations of the Group for 2005 amounted to approximately RMB296,077,000, representing an increase of 26.10% or approximately RMB61,276,000, as compared with that of last year. The net profit of the Group was approximately RMB5,416,000, the Group realised a turnaround from loss to profit in 2005. The main reasons for the profits are set out in the above section headed "Results Analysis".

At the end of 2005, the Group's net cash and cash equivalents increased to approximately RMB17,567,000. Changes of cash and cash equivalents are mainly due to greater effort put to reduce debts and capital for commodities in 2005, resulting in net cash flow generated by operating activities amounted to approximately RMB178,859,000.

經營管理研討與分析 (續)

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

1. 主營業務範圍及其經營狀況 (續)

1. Business scope and operating results of the Company (continued)

2005年按中國會計準則編制的分產品情況如下：

Segmental information of the main products for 2005 prepared under PRC accounting standards is as follows:

分行業或分產品	By product or By section	主營業務收入 Turnover 人民幣千元 RMB'000	主營業務成本 Cost of goods sold 人民幣千元 RMB'000	毛利率 % Rate of gross margin %
化學原料藥	Bulk pharmaceuticals	974,186	798,542	18.03
製劑	Preparations	298,039	181,978	38.94
商業流通	Medical Commercial Logistics	408,199	396,603	2.84
化工產品及其他	Chemical & other products	16,091	17,746	(10.29)
合計	Total	1,696,515	1,394,869	17.78

按香港普遍採納之會計原則分析

Analysis of the Group's performance under HKGAAP

二零零五年本集團的經濟運行顯著改善，由虧轉盈。截至二零零五年十二月三十一日止財政年度錄得公司股東應佔盈利人民幣1,229,000元，較去年錄得的公司股東應佔虧損人民幣52,485,000元增加人民幣53,714,000元。

The overall operation of the Group has improved markedly with a turnaround from loss to profit during the year recording a profit attributable to the equity holders of the Company in an amount of approximately RMB1,229,000 for the financial year ended 31 December 2005, which was increased by RMB53,714,000 from the loss attributable to the equity holders of the Company of approximately RMB52,485,000 recorded in last year.

截至二零零五年十二月三十一日，本集團流動比率為124.19%，速動比率為91.37%，年應收賬款周轉率為565.00%（年應收賬款周轉率 = 營業額 / 平均應收帳款及票據淨額 \* 100%），年存貨周轉率為487.24%（年存貨周轉率 = 產品銷售成本 / 平均存貨淨額 \* 100%）。

As at 31 December 2005, the current ratio and the quick ratio of the Group were 124.19% and 91.37% respectively, and the rate of accounts receivable turnover (being turnover / average trade and bill receivables X100%) and rate of stock turnover (being cost of goods sold/average inventories X 100%) for the year were 565.00% and 487.24% respectively.

本集團資金需求無明顯季節性規律。

The Group's demand for working capital was constant throughout the year.

### 經營管理研討與分析 (續)

#### 1. 主營業務範圍及其經營狀況 (續)

本集團資金來源主要是向金融機構借款。於二零零五年十二月三十一日，本集團銀行借款除出口押匯人民幣1,691千元外，其餘均為無抵押貸款，總額為人民幣418,969千元。於二零零五年十二月三十一日本集團共有貨幣資金人民幣363,191千元（包括約人民幣65,149千元銀行承兌匯票保證金存款）。本集團資金流動性較好，償債能力較強。

截至二零零五年十二月三十一日，本公司投入資金人民幣10,000千元成立了一家合資公司，本公司佔合資公司註冊資本的40%。我們對這家公司的發展前景充滿信心。

截至二零零五年十二月三十一日，本集團除用於出口押匯人民幣1,695千元的應收債權及銀行承兌匯票保證金存款約人民幣65,149千元外，其他資產均為無抵押。

公司未來計劃內無重大投資項目。

本集團的資本負債率為30.60%。  
(資本負債率 = 借款總額 / 股本及儲備總額 \* 100%)

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。

截至二零零五年十二月三十一日，公司無重大或有負債。

### MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

#### 1. Business scope and operating results of the Company (continued)

The main source of funds of the Group was loans from financial institutions. As at 31 December 2005, the total amount of bank loans (except for documentary credits in the amount of approximately RMB1,691,000) was approximately RMB418,969,000, which were unsecured. As at 31 December 2005, cash on hand and in bank amounted to approximately RMB363,191,000 (including pledged bank deposit of approximately RMB65,149,000). The Group maintained a good level of liquidity and had the ability to repay its debts as they fell due.

During the financial year ended 31 December 2005, the Company established a joint venture company by investing RMB10,000,000 with the Company holding 40% of the total equity interests in the joint venture company. The Company is confident of the future development of the joint venture company.

As at 31 December 2005, except for accounts receivable in the amount of approximately RMB1,695,000 used for documentary credits and pledged bank deposits in the amount of approximately RMB65,149,000 pledged to banks to secure short-term banking facilities granted to the Group in respect of bills and letter of credit facilities, there was no charge on the Group's assets.

The Company currently anticipates that there will be no significant investment plans in the coming year.

The gearing ratio of the Group was 30.60%. (being total borrowings / share capital & total reserves X 100%)

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

As at 31 December 2005, the Company had no significant contingent liabilities.



**經營管理研討與分析 (續)****1. 主營業務範圍及其經營狀況 (續)**

本集團之資產及負債主要以人民幣為記帳本位幣，但二零零五年度出口創匯完成90,340千美元，亦存在一定的匯率波動風險，本集團在降低匯率波動風險方面主要採取了以下措施：1. 提高產品出口價格以降低匯率波動風險；2. 在簽訂大額出口合同時就事先約定，在超出雙方約定範圍的匯率波動限度時，匯率波動風險由雙方承擔。

**2. 控股子公司經營及業績情況**

- (i) 本公司享有淄博新華大藥店連鎖有限公司88%的股東權益。該公司經營範圍包括：中成藥、中藥飲片、化學藥製劑、診斷藥品、保健食品、計劃生育藥品、醫療器械、化妝品的零售。

二零零五年實現銷售收入人民幣29,633千元，較上年度上升18.22%，實現淨虧損人民幣255千元，虧損的主要原因為當地醫藥零售市場競爭加劇，獲利空間小。

**MANAGEMENT DISCUSSION AND ANALYSIS***(continued)***1. Business scope and operating results of the Company (continued)**

The assets and liabilities of the Group were mainly recorded as Renminbi. In the year 2005, the revenue from the export of the Group was approximately US\$90,340,000, which may suffer from the risk associated with fluctuation in exchange rates. Therefore, the Group has taken following measures to hedge the risks of fluctuation in exchange rates: Firstly, the Group has improved the prices of its exported products. Secondly, the Group has made an arrangement with overseas customers when entered into significant contracts, in which relative parties agreed that the Group will mutually undertake with the customers the risks associated with fluctuation in exchange rates if the fluctuation exceeds the amount agreed by related parties in advance.

**2. Operations and Results of subsidiaries of the Company**

- (i) Zibo Xinhua Pharmacy Chain Company Limited ("Xinhua Pharmacy"), in which the Company holds 88% of the total equity interest. The main operations of the subsidiary are the sale of traditional Chinese medicines, prepared herbal medicines for decoction, preparations, drugs for diagnose, drugs for birth control, medical devices, health foods and cosmetics.

In 2005, the total turnover of the subsidiary was approximately RMB29,633,000, increased by 18.22% and the loss after taxation was approximately RMB255,000. The loss were mainly due to fierce competition in the local retail market and the compression of gross profit.

### 經營管理研討與分析 (續)

#### 2. 控股子公司經營及業績情況 (續)

- (ii) 本公司享有淄博新華 — 三和化工有限公司70%股東權益，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。二零零五年本公司實現淨虧損人民幣5,606千元，發生虧損的主要原因是本公司引進的新產品未試製成功而造成損失。
- (iii) 本公司享有淄博新華醫藥設計院有限公司90%股東權益。合資公司主要經營醫藥工程的設計等，二零零五年實現營業額人民幣2,515千元，較上年同期上升269.85%。實現淨利潤人民幣185千元，比去年同期增加人民幣2,120千元，收入和利潤增加的主要原因是二零零五年工程設計量比上年同期有所增加。

### MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

#### 2. Operation and Results of subsidiaries of the Company (continued)

- (ii) The Company accounted for 70% of the total equity interests of Zibo Xinhua Sanhe Chemical & Industrial Company Limited. The operating scope of this joint venture includes research, development, production and sale of chemical products including pharmaceutical intermediates, perfume intermediates etc, except for dangerous materials. In 2005, the company recorded a net loss of approximately RMB5,606,000, which was due to the loss arising from the fail in the introduction of new products.
- (iii) The Company accounted for 90% of total equity interests of Zibo Xinhua Pharmaceutical Design Institute Company Limited. This subsidiary is mainly engaged in the business of the design of projects and achieved a turnover of approximately RMB2,515,000 in 2005, a increase of 269.85% as compared to that of last year. The company realised a net profit of approximately RMB185,000, increased by approximately RMB2,120,000, as compared to that of last year. The increases in the revenue and profit were due to the increase of revenue for the design of projects in 2005, as compared to that of last year.



**經營管理研討與分析 (續)****2. 控股子公司經營及業績情況 (續)**

(iv) 本公司享有山東新華製藥(歐洲)有限公司**76.9%**的股東權益。合資公司註冊資本總額為**65萬**歐元，主要經營醫藥原料藥及中間體。二零零五年實現銷售收入人民幣**5,832**千元，實現淨虧損人民幣**620**千元。

(v) 本公司享有山東新華醫藥貿易有限公司**98%**股東權益，該公司主要經營生物製品、中藥飲片、中成藥、化學原料藥、化學製劑、抗生素製劑、生化藥品、保健食品、醫療器械、計劃生育藥具、化妝品等。二零零五年實現銷售收入人民幣**321,149**千元，實現淨利潤人民幣**384**千元。

(vi) 出售附屬公司

二零零五年四月二十二日，本公司出售其持有的德州新華泰康大藥店全部股權，作價人民幣**116,000**元。年內出售附屬公司並未給本集團的營業額及業績帶來重大影響。

**3. 募集資金使用情況**

本公司於二零零一年九月三日增發**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，截止二零零五年十二月三十一日，共使用募集資金人民幣**320,056**千元，主要用於以下項目：

**MANAGEMENT DISCUSSION AND ANALYSIS**  
(continued)**2. Operation and Results of subsidiaries of the Company**  
(continued)

(iv) The Company accounted for **76.9%** of total equity interests of Shandong Xinhua Pharmaceutical (Europe) GmbH. The total registered capital of this subsidiary is Euro**650,000**. The subsidiary is mainly engaged in the business of bulk pharmaceutical intermediates. In 2005, the subsidiary achieved a turnover of approximately RMB**5,832,000** and the Loss after taxation approximately RMB**620,000**.

(v) The Company accounted for **98%** of the total equity interest of Shandong Xinhua Medical Trade, Co., Ltd.. The subsidiary is mainly engaged in the business of biologic products, prepared herbal medicines for decoction, traditional chinese medicines, bulk pharmaceuticals, preparation, antibiotic preparation biochemical medicine, health food, medical appliances, drugs and wares for birth control and cosmetic etc. In 2005, the subsidiary realized a turnover of approximately RMB**321,149,000** and a net profit of approximately RMB**384,000**.

(vi) Disposal of a Subsidiary

On 22 April 2005, the Company disposed of its entire interest in Dezhou Xinhua Tai Kang Drug Store Company Limited for a consideration of RMB **116,000**. The subsidiary disposed of during the year had no significant impact on the Group's turnover and results.

**3. Use of Proceeds**

On 3 September 2001, the Company raised an amount of RMB**370,517,000** from the issue and offer of **33,000,000** A Shares (including the offer of **3,000,000** state-owned shares). As at 31 December 2005, a total of approximately RMB**320,056,000** from the proceeds of the above issue of A Shares was used in the following projects:

# 董事會報告 (續)

## REPORT OF THE BOARD OF DIRECTORS (continued)

### 經營管理研討與分析 (續)

### MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

#### 3. 募集資金使用情況 (續)

#### 3. Use of Proceeds (continued)

募集資金投資項目名稱	募集資金 投入計劃 Total investment 人民幣千元 RMB'000	2005年 實際投入 Investment in 2005 人民幣千元 RMB'000	累計投資額 Accumulated investment 人民幣千元 RMB'000	完成計劃投 資額的比例 % of the total investment	備註 Remark
國家級技術中心改造項目	74,500	—	10,123	13.59%	N/A
State-level technical centre					
針劑GMP改造項目	80,000	2,348	80,226	100.28%	完工
Injection workshop GMP renovation					Completed
咖啡因技術改造項目	160,000	—	188,201	117.63%	完工
Caffeine technical renovation					Completed
L-350技術改造項目	29,980	—	23,442	78.19%	完工
L-350 technical renovation					Completed
安乃近精幹包(GMP)改造項目	39,800	—	46,265	116.24%	完工
Analgin GMP renovation					Completed
合計	384,280	2,348	348,257		其中28,201千元為
Total					自有資金投入
					RMB28,201,000
					financed by the Company

附註：

Note:

1. 安乃近精幹包(GMP)改造項目、L-350項目、咖啡因技術改進項目、針劑(GMP)改造項目均已經完工，除咖啡因技術改造項目受市場競爭，銷售價格下降，加上化工原料價格大幅度上升影響，針劑GMP改造項目處於達標達產階段未達到盈利預測水平外，其餘項目均達到盈利預測水平。

2. 國家級技術中心改造項目已經完成前期準備階段，將進入施工建設階段。

尚未使用的募集資金存於銀行，將按照承諾投資項目使用。

1. Analgin GMP renovation project, L-350 project and caffeine technical renovation project, and Injection GMP renovation project has finished. Except for the profit forecast of caffeine technical renovation project has still not been realised because of the effects of the drop in the price and the increases the prices of raw materials, other projects has realized their profit forecast.

2. The construction of the state-level technical center has come into the stage of preparation, and will begin to construct soon.

The unused proceeds were deposited in banks and will be used in accordance with project commitments.

### 董事會工作報告

1. 在本年度內，本公司董事會共召開九次會議：

A. 本公司於二零零五年三月二十四日在公司住所召開第一次董事會會議，相關公告刊登於二零零五年三月二十五日內地《證券時報》、香港《文匯報》及《The Standard》。

B. 本公司於二零零五年四月二十日在公司住所召開第二次董事會會議，相關公告刊登於二零零五年四月二十一日內地《證券時報》、香港《文匯報》及《The Standard》。

C. 本公司於二零零五年五月十一日以書面形式召開第三次董事會會議，相關公告刊登於二零零五年五月十二日內地《證券時報》、香港《文匯報》及《The Standard》。

D. 本公司於二零零五年六月七日以書面形式召開第四次董事會會議，同意：

將現任高級管理人員(郭琴、張忠明、霍永、張代銘、王小龍、趙松國、任福龍、曹長求、郭磊)的任期延長至新一任董事會產生之日止。

### Working Report of the Board

1. During the year, the Board of Directors passed resolutions on nine occasions:

A. On 24 March 2005, the first meeting was convened at the Company's registered office, the results of the meeting was published in the domestic Securities Times, and Wen Wei Po, The Standard of Hong Kong on 25 March 2005.

B. On 20 April 2005, the second meeting was convened at the Company's registered office, the results of the meeting was published in the domestic Securities Times, and Wen Wei Po, The Standard of Hong Kong on 21 April 2005.

C. On 11 May 2005, the third meeting was convened at the Company's registered office, the results of the meeting was published in the domestic Securities Times, and Wen Wei Po, The Standard of Hong Kong on 12 May 2005.

D. On 7 June 2005, the fourth meeting was convened by way of a written resolution approving the extension of terms of senior officers (namely Ms. Guo Qin, Mr Zhang Zhongming, Mr. Huo Yong, Mr. Zhang Daiming, Mr. Wang Xiaolong, Mr. Zhao Songguo, Mr. Ren Fulong, Mr. Cao Changqiu and Ms. Guo Lei) to the date of election of new directors.

# 董事會報告 (續)

## REPORT OF THE BOARD OF DIRECTORS (continued)

### 董事會工作報告 (續)

1. 在本年度內，本公司董事會共召開九次會議：(續)

E. 本公司於二零零五年七月七日以書面形式召開第五次董事會會議，相關公告刊登於二零零五年七月九日內地《證券時報》、七月八日香港《文匯報》及《The Standard》。

F. 本公司於二零零五年七月二十八日在公司住所召開第六次董事會會議，相關公告刊登於二零零五年七月二十九日內地《證券時報》、香港《文匯報》及《The Standard》。

G. 本公司於二零零五年十月二十八日在公司住所召開第七次董事會會議，相關公告刊登於二零零五年十月三十一日及十一月四日內地《證券時報》、香港《文匯報》及《The Standard》。

H. 本公司於二零零五年十二月十九日以書面形式召開第八次董事會會議，相關公告刊登於二零零五年十二月二十一日內地《證券時報》、香港《文匯報》及《The Standard》。

I. 本公司於二零零五年十二月二十二日在公司住所召開第九次董事會會議，相關公告刊登於二零零五年十二月二十三日內地《證券時報》。

### Working Report of the Board(continued)

1. During the year, the Board of Directors passed resolutions on nine occasions: (continued)

E. On 7 July 2005, the fifth meeting was convened by way of a written resolution, the details of the resolution was published in the domestic Securities Times on 9 July 2005, and Wen Wei Po, The Standard of Hong Kong on 8 July 2005.

F. On 28 July 2005, the sixth meeting was convened at the Company's registered office, the results of the meeting was published in the domestic Securities Times, Wen Wei Po and The Standard of Hong Kong on 29 July 2005.

G. On 28 October 2005, the seventh meeting was convened at the Company's registered office, the results of the meeting published in the domestic Securities Times on 31 October 2005, and Wen Wei Po, The Standard of Hong Kong on 4 November 2005.

H. On 19 December 2005, the eighth meeting was convened by way of a written resolution, the details of the resolution was published in the domestic Securities Times, and Wen Wei Po, The Standard of Hong Kong on 21 December 2005.

I. On 22 December 2005, the ninth meeting was convened by way of written resolution, the details of the resolution was published in the domestic Securities Times on 23 December 2005.

**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」。

**公眾持股**

本公司確認於本報告期內及截至發出本報告前的最後可行日期本公司公眾股東持股量滿足有關要求。

**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帳目附註13。

**最高酬金人士**

本年度本集團獲最高酬金的前五名人士分別為兩位董事及三位僱員。

**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通過購入本公司或任何其他公司之股份或債券而獲得利益。

**董事、監事之服務合約**

所有董事、監事暫未與本公司訂立服務合約。

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。

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

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

**Public Float**

The Company has complied with the requirement in respect of the minimum public float during this reporting period and up to the latest practicable date prior to the issue of this report.

**Remuneration of Directors and Supervisors**

Details of the remuneration of the Company's Directors and Supervisors are set out in note 13 to the Accounts prepared in accordance with HKGAPP.

**Individuals with the Highest Remuneration**

The five individuals with the highest salaries paid by the Group during the year 2005 were 2 directors and 3 employees.

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

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

**Service Contracts of Directors and Supervisors**

Each of the Directors and Supervisors has not entered into a service contract with the Company.

None of the Directors and the 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).

# 董事會報告 (續)

## REPORT OF THE BOARD OF DIRECTORS (continued)

### 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、其所屬公司、其控股股東或控股公司其他附屬公司之間於本年度年終或年內任何時間，均無就本集團業務簽訂任何董事、監事直接或間接佔有重大利益的合約。

### 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及本公司截至二零零五年十二月三十一日止年度業績和於二零零五年十二月三十一日財務狀況載於「根據香港普遍採納之會計原則編制的賬目」和「按中國會計準則編制之賬目」。

### 財務摘要

根據香港普遍採納之會計原則編制的本集團於過去五個財政年度及中國會計準則編制的本集團於過去三個財政年度的業績、資產及負債載於「會計數據和業務數據摘要」。

### 利潤分配

根據中國會計準則編制本集團截至二零零五年十二月三十一日止年度實現淨利潤分別為人民幣5,416千元，按10%提取法定盈餘公積金人民幣522千元；按5%提取公益金人民幣261千元；建議派發末期股息每10股人民幣0.5元（折合港幣約0.482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22,866千元。以上建議將提交本公司二零零五年度周年股東大會審議批准。

### 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

Neither the Company, its holding company, its controlling shareholder nor fellow subsidiaries have signed any contracts in relation to the Company's business in which any Directors or Supervisors had a material interest, whether directly or indirectly at the end of the year or at any time during the year.

### Accounts

The Group's results for the year ended 31 December 2005 and the financial position of the Group and the Company as at 31 December 2005 prepared in accordance with HKGAAP and PRC accounting standards are set out in section headed "ACCOUNTS PREPARED IN ACCORDANCE WITH HONG KONG GENERALLY ACCEPTED ACCOUNTING PRINCIPALS" and "ACCOUNTS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS".

### Financial Summary

A summary of the results, assets and liabilities of the Group prepared in accordance with HKGAAP for the last five financial years and PRC accounting standards for the last three financial years is set out in section headed "SUMMARY OF FINANCIAL AND OPERATING RESULTS".

### Profit Appropriation

In accordance with PRC accounting standards, the Group recorded a net profit of approximately RMB 5,416,000 for the year ended 31 December 2005, 10% of which was transferred to the statutory surplus reserves amounting to approximately RMB522,000, 5% to the public welfare funds amounting to approximately RMB261,000. The Board has recommended to distribute a final dividend at RMB0.5 per 10 shares subject to the approval of the shareholders of the following 2005 annual general meeting of the Company (equivalent to approximately HK\$0.482 per A Shares, tax inclusive) on 307,312,830 A Shares and 150,000,000 H Shares in issue, which is aggregated to be approximately RMB22,866,000.



**主要業務及按地區劃分的營業額**

本集團及本公司本年度按地區分析之營業額載於按香港普遍採納之會計原則編制帳目附註6。

**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「股東變動及股東情況」

**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之綜合權益變動表及按中國會計準則編制帳目附註六.23及六.24。

**固定資產**

本集團及本公司於二零零五年度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16及按中國會計準則編制帳目附註六.9。

**銀行貸款及其他借款**

本集團及本公司於二零零五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32及中國會計準則編制帳目附註六.12及六.20。

**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。

**Principal Activities and Geographical Analysis of Operations**

The turnover of the Group and the Company in various geographical locations is set out in note 6 to the Accounts prepared in accordance with the HKGAAP.

**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 2005 are set out in Consolidated Statement of Changes in Equity to the Accounts prepared in accordance with the HKGAAP, and notes 6.23 and 6.24 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 year 2005 are set out in notes 16 to the Accounts prepared in accordance with the HKGAAP, and note 6.9 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 2005 are set out in note 32 to the Accounts prepared in accordance with the HKGAAP, and notes 6.12, and 6.20 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.

# 董事會報告 (續)

REPORT OF THE BOARD OF DIRECTORS (continued)

## 職工宿舍

本集團截至二零零五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。但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8%繳納由山東省淄博市財政局管理的住房公積金，截至二零零五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4,102千元。

## 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，本公司已經於二零零四年十二月實行職工基本醫療保險制度。截至二零零五年十二月三十一日止年度本集團共繳的職工醫療保險人民幣5,460千元。

## 稅收優惠問題

自二零零四年一月一日起，本公司位於開發區內的經營所得適用稅率為15%，開發區外的經營所得適用稅率為33%，並已在當地稅務部門進行備案。

## 委託存款問題

截至二零零五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。

## Staff Quarters

The Group did not sell any staff quarters to its employees during the year ended 31 December 2005 but was required to contribute 8% 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 2005, contributions to the accommodation scheme made by the Group in this respect amounted to approximately RMB4,102,000.

## 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 has joined the above-mentioned Medical Insurance System for Urban Employees in December 2004. For the year ended 31 December 2005, the total contribution of the Group to Staff Basic Medical Insurance was approximately RMB5,460,000.

## Preferential Tax Treatment

Since 1 January 2004, the operating results of the Company arising from the business conducted in the development zone are subject to PRC enterprise income tax at a rate of 15%, while the business conducted outside the development zone are subject to PRC enterprise income tax at a rate of 33%. The Company has submitted a tax filing to the local tax bureau.

## Designated Deposits

For the year ended 31 December 2005, 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.

**重要事項**

2005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費用及五大客戶的銷售額分別佔本集團於截至二零零五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18.29%和14.59%。

**購買、出售及贖回本公司之上市股份**

截至二零零五年十二月三十一日止年度內，本公司及其附屬公司並無贖回、購買或出售任何本公司股份。

**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。於截至二零零五年十二月三十一日止之年度內，本集團繳納的社會養老及退休保險費為人民幣17,916千元。

**Important Issues**

Important issues of the Company for the year 2005 are set out in the section headed "IMPORTANT ISSUES".

**Major Customers and Suppliers**

The percentages of purchases and sales attributable to the Group's five largest suppliers and five largest customers were 18.29% and 14.59% of the Group's total purchases and total sales, respectively, for the year ended 31 December 2005.

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

During the year ended 31 December 2005, neither the Company nor any of its subsidiaries had redeemed, purchased or sold, any of the Company's listed securities.

**Pre-emptive Rights**

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

**Retirement Scheme Arrangements**

The Group participates in the State Social Retirement Scheme (the "Scheme") and pays the insurance premium in accordance with the particular regulation issued by the local municipal government whereby it 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 2005, the total contribution of the Group to the Scheme was approximately RMB17,916,000.

# 董事會報告 (續)

## REPORT OF THE BOARD OF DIRECTORS (continued)

### 關聯交易

### Connected Transactions

- (1) 本集團在正常業務範圍內進行之重大有關聯人士交易摘要如下：

- (1) Significant connected transactions, which were carried out in the normal course of the Group's business are as follows:

		二零零五 2005 人民幣千元 RMB'000	二零零四 2004 人民幣千元 RMB'000
與控股公司及其附屬公司	With SXP GC and its fellow subsidiaries		
— 銷售製成品及原材料	— Sale of finished goods and raw materials	19,170	28,716
— 採購原材料	— Purchase of raw materials	65,208	66,403
— 採購物業、廠房及設備	— Purchase of property, plants and equipment	—	9,512
— 租金收入	— Rental income	1,506	1,506
— 接受勞務及其它服務	— Payment for labour and other services	143	2,257
— 商標使用費	— Trademark fee	200	200
與聯營公司	With associates		
— 採購原材料	— Purchase of raw materials	4,568	—
— 銷售水電汽	— Sale of water, electricity and steam	367	—
— 利息收入	— Interest income	80	—

本公司董事確認上述的交易乃於日常業務過程中進行，而上述交易於二零零四年度之總額並不超過該有關年度經審核之綜合營業額的12%，二零零五年度之總額並不超過二零零五年六月二十九日本公司臨時股東大會批准上限人民幣128,120,000元。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，而上述交易於二零零四年及二零零五年度之總額並不超過股東大會批准上限。

In the opinion of the Directors, the above transactions were carried out in the ordinary and usual course of the Group's business. The aggregate amount of the above transactions for the year 2004 did not exceed 12% of the audited consolidated turnover of the Group in the relevant year and the aggregated amount of the above transactions for the year 2005 did not exceed the upper limit of RMB128,120,000 approved in the extraordinary general meeting held on 29 June 2005. 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 the transactions for each of the year 2004 and 2005 did not exceed the upper limit of the audited approved in the general meetings.

關聯交易 (續)

- (2) 本年度內，本公司為山東新華醫藥集團有限公司代墊費用約人民幣24,602,000元(二零零四年：約人民幣21,921,000元)，截至二零零五年十二月三十一日，有關代墊費用的餘額為人民幣9,507,000元(二零零四年：約人民幣13,953,000元)。此等款項無抵押、無利息，無固定還款期。新華集團承諾將於二零零六年九月三十日前以現金方式全部償還。本公司根據循環的貸款安排訂立上述交易，集團公司藉此向本公司提供擔保，累計擔保金額為人民幣420,000,000，並無任何對等抵押。

以下為截至二零零五年十二月三十一日止年度本公司的持續關連交易(「持續關連交易」)：

- (1) 於一九九六年十二月七日，本公司與集團公司訂立由本公司就其現有及未來的產品於中國及海外獨家使用商標「新華」的商標(「商標」)許可協議(「商標許可協議」)。根據商標許可協議本公司獲授予獨佔使用權，就其現有及將來於中國及海外的產品使用商標，首年年費為人民幣600,000元，其後每年遞增人民幣100,000元，直至年費達到上限人民幣1,100,000元，此後年費將維持不變，直至協議予以終止。協議條款須於商標有效期間(即二零一三年二月二十八日)持續生效，惟商標須每年續期登記。截至二零零四年十二月三十一日及二零零五年十二月三十一日止年度，本公司支付的年費為人民幣200,000元。

Connected Transactions (continued)

- (2) During the year of 2005, the Company paid certain expenses on behalf of its immediate holding company totaling approximately RMB24,602,000 (2004: approximately RMB21,921,000), which were charged back to the immediate holding company on a cost reimbursement basis. As at 31 December 2005, the amount due from the immediate holding company in connection with such transactions amounted to approximately RMB9,507,000 (2004: approximately RMB13,953,000) which is unsecured, interest-free and has no fixed term of repayment. SXPGC has undertaken that it will full repay the fund in cash on or before 30 September 2006. The Company entered into the above transactions pursuant to a revolving loan arrangement whereby SXPGC provided guarantee in favour of the Company in the amount of accumulative total RMB420,000,000 without taking any counter-security.

The following were continuing connected transactions (the "Continuing Connected Transactions") for the Company during the year ended 31 December 2005:

- (1) On 7 December 1996, the Company entered into with SXPGC a trademark licence agreement (the "Trademark Licence Agreement") for the exclusive use of the trademark "Xinhua" (the "Trademark") by the Company for its existing and future products in and outside the PRC. Pursuant to the Trademark Licence Agreement, the Company was granted the exclusive right to use the Trademark for its existing and future products in and outside the PRC at an initial annual fee of RMB600,000 increasing at the rate of an extra RMB100,000 per year until the annual fee reaches the cap amount of RMB1,100,000, which shall stay as such until the agreement is terminated. The terms of the agreement shall continue to have effect during the validity period of the Trademark, being 28 February 2013, subject to further renewal of the registration of the Trademark. An annual fee of RMB200,000 was paid by the Company under the Trademark Licence Agreement for the year ended 31 December 2004 and the year ended 31 December 2005.



### 關聯交易 (續)

- (2) 於二零零二年九月二十六日，本公司及集團公司就銷售及購買化學原料及零星材料(包括但不限於生產醫藥產品所需的水、電、蒸氣及該等其他物料)，以及向集團公司及由集團公司所提供的服務訂立二零零二年協議(「二零零二年協議」)，年期由二零零二年九月二十六日起至二零零六年十二月三十一日止，並可予延展。

二零零二年協議主要條款如下：

- (i) 公司可按市場價格，向集團公司採購以下產品及服務：
- (a) 主要用作製藥的化學原料；
  - (b) 有關保養及維修生產設備的零星項目及物料；
  - (c) 有關包裝產品的零星物料及服務；及
  - (d) 本公司所需的其他原料及服務(包括勞務)。

上述產品及服務價格須根據市場慣例釐定。惟所有相關價格不得高於由集團公司向任何獨立第三方就相關項目銷售的售價。

- (ii) 公司可向集團公司銷售以下產品及服務：
- (a) 水、電及蒸氣(按成本加相關的稅費及費用)；
  - (b) 於生產過程中的副產品的零星項目(按市場價格)；

### Connected Transactions (continued)

- (2) On 26 September, 2002, the Company entered into with SXPGC an agreement (the “2002 Agreement”) in relation to sale and purchase of chemical raw materials and sundry items (including but not limited to water, electricity, steam and such other items for the production of pharmaceutical products) and the provisions of services to and from SXPGC for a term from 26 September, 2002 to 31 December, 2006 subject to extension.

The principal terms of the 2002 Agreement are as follows:

- (i) The Company shall purchase the following products and services from SXPGC at market price:
- (a) chemical raw materials primarily for the production of pharmaceutical products;
  - (b) sundry items and materials relating to maintenance and repair of production equipment;
  - (c) sundry items and services relating to packaging products; and
  - (d) other raw materials and services as required by the Company including labour services.

The prices for the products and services stated above shall be determined in accordance with the market practice. But, all of the relevant prices shall not be higher than the selling price in respect of such items as offered by SXPGC to any independent third parties.

- (ii) The Company shall sell the following products and services to SXPGC:
- (a) water, electricity, and steam, at cost plus corresponding tax and fees;
  - (b) sundry items of by-products during the manufacturing processes, at market price;



關聯交易 (續)

- (c) 設備及工具維修(按市場價格)；及
- (d) 集團公司所需的其他產品及服務(按市場價格)。

在任何情況下，上述列示的有關價格不得低於相關項目向獨立第三方銷售的價格。

- (iii) 各方須依據本公司或集團公司訂單所列示的時間，準時向其他訂約方繳付訂購產品及獲提供服務的費用；
- (iv) 本公司可不受限制地向任何第三方就銷售或採購有關產品或服務進行交易；及
- (v) 二零零二年協議的條款由二零零二年九月二十六日開始並於二零零六年十二月三十一日終止，並可予以延展。二零零二年協議於二零零六年十二月三十一日後將不會延展，並將於同日終止。本公司將於二零零七年一月一日後就上述與集團公司間的持續關連交易重新遵守上市規則。

Connected Transactions (continued)

- (c) maintenance of equipment and instruments at market price; and
- (d) other products and services as required by the SXPGC at market price.

In any event, all of the relevant prices stated above shall not be lower than the selling price in respect of such items as offered to any independent third parties.

- (iii) Each party shall pay to the other party for the products ordered or services provided in a timely manner as specified in each purchase order placed by the Company or SXPGC from time to time;
- (iv) The Company is not restricted from conducting transactions with any third parties for the sale and purchase of the relevant products and the provisions of services; and
- (v) The terms of the 2002 Agreement commences from 26 September, 2002 and ends on 31 December, 2006, subject to extension. The 2002 Agreement will not be extended after 31 December 2006 and thus will be terminated on the same date. The Company will re-comply with the Listing Rules in respect of the above continuing connected transactions with SXPGC from 1 January 2007.

# 董事會報告 (續)

## REPORT OF THE BOARD OF DIRECTORS (continued)

### 關聯交易 (續)

於二零零五年十二月三十一日，集團公司持有及擁有本公司已發行股本總數的46.89%，就上市規則而言構成本公司的關連方。因此，根據上市規則第14A章，集團公司與本公司之間的任何交易均構成關連交易。根據上市規則第14A章，該等持續關連交易構成持續關連交易。

本公司的獨立非執行董事已審閱持續關連交易，並確認：

- (a) 持續關連交易乃於 (i) 本公司的日常及一般業務過程中訂立； (ii) 根據正常商業條款進行，或(倘無法比較)按不遜於獨立第三方獲得或提出的條款(視情況而定)進行；及 (iii) 根據公司及其整體股東認為公平合理的商標許可協議及二零零二年協議的條款進行；
- (b) 是次財政年度的持續關連交易年度上限總額並不超過是次財政年度持續關連交易的最高金額分別人民幣128,120,000(「新年度上限」)。

本公司核數師已於董事會函件內確認持續關連交易：

- (a) 已獲董事會批准；
- (b) 乃按照本公司財務報表所載的價格政策訂立；

### Connected Transactions (continued)

As of 31 December 2005, SXPGC holds and owns approximately 46.89% of the total issued share capital of the Company and constitutes a “connected party” of the Company for the purpose of the Listing Rules. Therefore any transactions between SXPGC and the Company constitute connected transactions under Chapter 14A of the Listing Rules. The Continuing Connected Transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The Independent non-executive Directors of the Company have reviewed the Continuing Connected Transactions, and confirmed that:

- (a) the Continuing Connected Transactions had been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or (where there is no available comparison) on terms no less favourable than those available to or from independent third parties (as the case may be); and (iii) in accordance with the Trademark Licensing Agreement and the 2002 Agreement on terms that are fair and reasonable so far as the Company and its shareholders as a whole are concerned;
- (b) the annual aggregate amount of the Continuing Connected Transactions for this financial year did not exceed the maximum amounts of the Continuing Connected Transactions for this financial year of RMB128,120,000 (the “New Annual Cap”).

The Company’s auditors have confirmed in a letter to the Board that the Continuing Connected Transactions:

- (a) have received the approval of the Board;
- (b) were in accordance with the pricing policies as stated in the Company’s financial statements;

**關聯交易** (續)

- (c) 已根據商標許可協議及二零零二年協議的條款進行；及
- (d) 各持續關連交易未超過新年度上限。

持續關連交易及新年度上限經本公司立股東(不包括集團公司及其聯繫人)於二零零五年六月二十九日舉行的臨時股東大會上批准。

董事會確認本公司截至二零零五年十二月三十一日止年度的關連交易已符合上市規則第14章的披露規定。

**核數師**

鑒於羅兵咸永道會計師事務所因二零零五年審計費用無法達成一致，於二零零五年十二月七日辭去本公司境外核數師一職，本公司董事會同意聘任信永中和(香港)會計師事務所有限公司為本公司境外審計師，任期至將於二零零六年舉行的二零零五年度週年股東大會止。詳情請參閱本公司於二零零五年十二月九日刊登的公告。

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信永中和(香港)會計師事務所有限公司(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。

承董事會命

**賀端湜**  
董事長

中國山東淄博  
二零零六年三月二十四日

**Connected Transactions** (continued)

- (c) have been entered into in accordance with the terms of the Trademark Licensing Agreement and the 2002 Agreement; and
- (d) the New Annual Cap for the Continuing Connected Transactions has not been exceeded.

The Continuing Connected Transactions and the New Annual Cap were approved by the independent shareholders of the Company (excluding SXP GC and its associates) at the Extraordinary General Meeting held on 29 June 2005.

The Board confirms that the Company has complied with its disclosure requirements for connected transactions in accordance with Chapter 14A of the Listing Rules for the year ended 31 December 2005.

**Auditors**

PricewaterhouseCoopers have resigned as the international auditor of the Company with effect from 7 December 2005 because the Company failed to agree with PricewaterhouseCoopers on the audit fee payable for the financial year ended 31 December 2005. The Board of the Company agreed to appoint ShineWing (HK) CPA Limited as the International Auditor until the 2005 annual general meeting to be held in 2006. Further details can be referred to in the announcement of the Company dated 9 December 2005.

The accounts of the Company and the Group for the year 2005 prepared in accordance with HKGAAP and PRC accounting standards have been audited by ShineWing (HK) CPA Limited and ShineWing, Certified Public Accountant, PRC respectively.

By order of the Board

**He Duanshi**  
Chairman

Zibo, Shandong, PRC  
24 March 2006