



華潤醫藥集團有限公司

China Resources Pharmaceutical Group Limited

2017 Interim Results

25 August 2017



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China Resources Pharmaceutical

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Solid Financial Performance

HK\$ mn	1H16	1H17	YoY (HK\$)	YoY (Rmb)
Revenue	75,616	82,738	9.4%	15.0%
Gross Profit	11,753	12,528	6.6%	12.1%
Operating Profit	4,761	5,137	7.8%	13.3%
Net Profit Attributable to Shareholders	1,636	1,810	10.7%	16.3%
EPS (HK\$)	0.35	0.29		

Number of shares: 4,629mn in 1H16 (pre-IPO) / 6,285 in 1H17

Stable Growth Across Segments

Manufacturing

Segment revenue: HK\$12.7bn
Segment gross profit: HK\$7.6bn

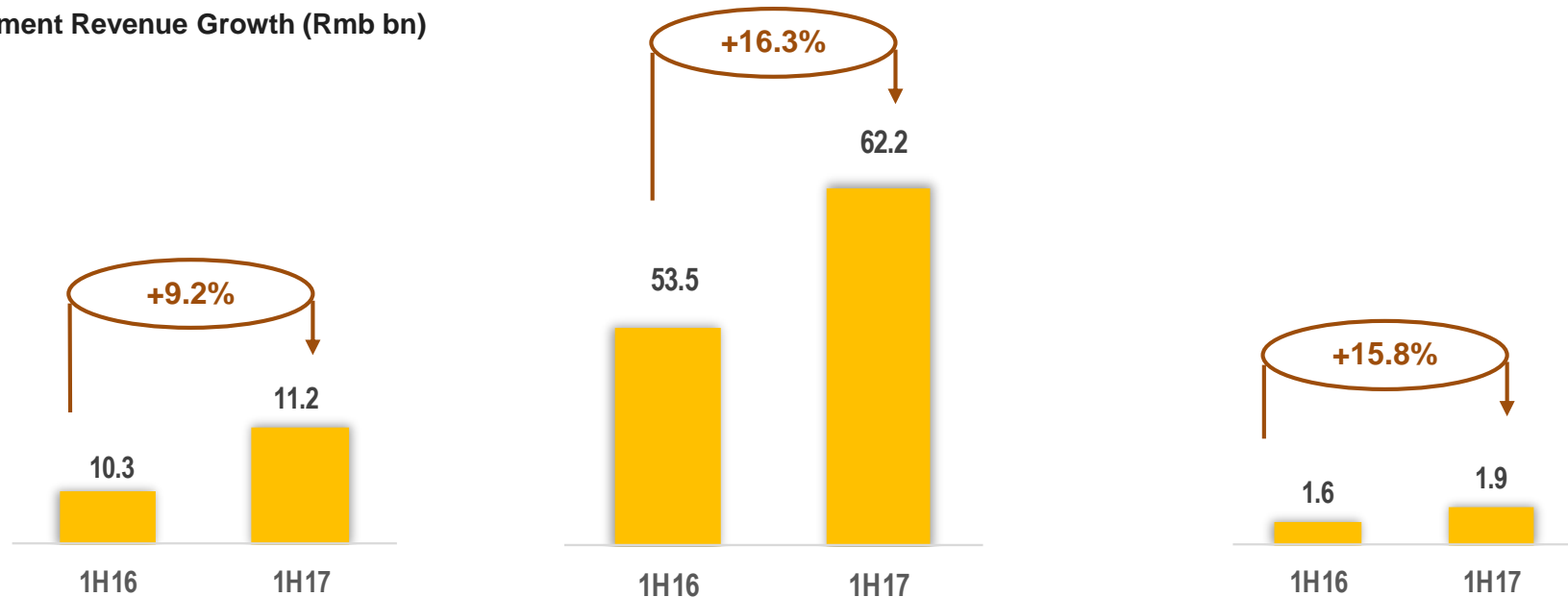
Distribution

Segment revenue: HK\$70.4bn
Segment gross profit: HK\$4.5bn

Retail

Segment revenue: HK\$2.1bn
Segment gross profit: HK\$0.4bn

Segment Revenue Growth (Rmb bn)





M&As Drive Growth

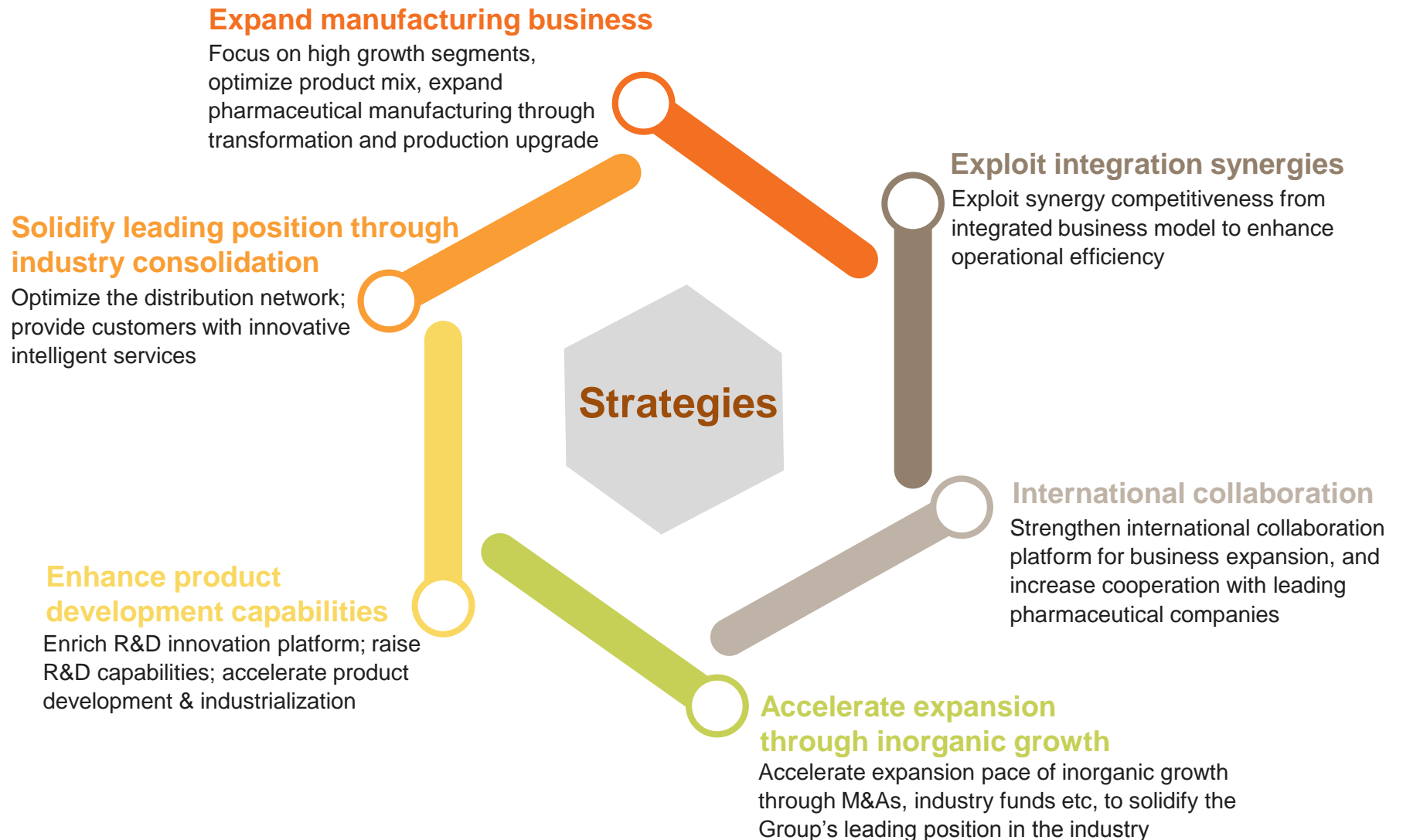
- Completed the acquisitions of Hainan Zhong Hua (海南中化) and Jin Fu Kang (金富康); business integration on track
- Established footprint in Jiangxi, Hainan, Qinghai and Xinjiang provinces; continued to extend the network to municipal cities, for the preparation of the Two-Invoice Policy

Index Inclusions Reflect Market Recognition

- In June, CR Pharma has been included into FTSE's Global Equity Index Series
- CR Sanjiu (000999.SZ) and DEEJ (000423.SZ), two of CR Pharma's A-share listed manufacturing companies, have been included in MSCI Emerging Markets Index

Explore opportunities through collaboration

- Signed Strategic Co-operation Agreements with FUJIFILM, Tsinghua University's National Engineering Laboratory for Anti-tumor Protein Therapeutics, and Nankai University; agreed to establish R&D platforms to introduce drugs into China
- Co-operation with Sanofi is on track. The JV has been set up and distribution of Essentials is ramping up





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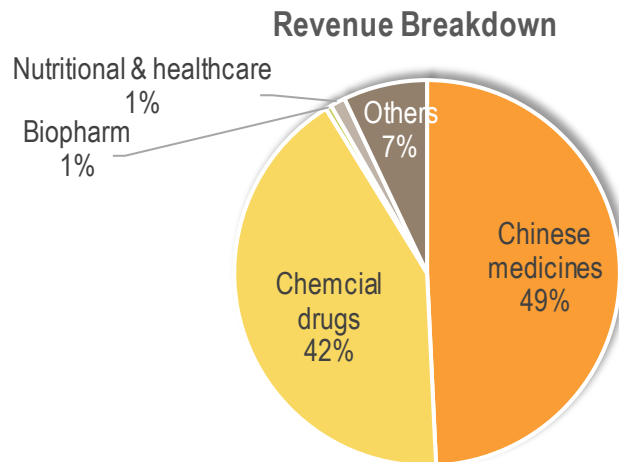
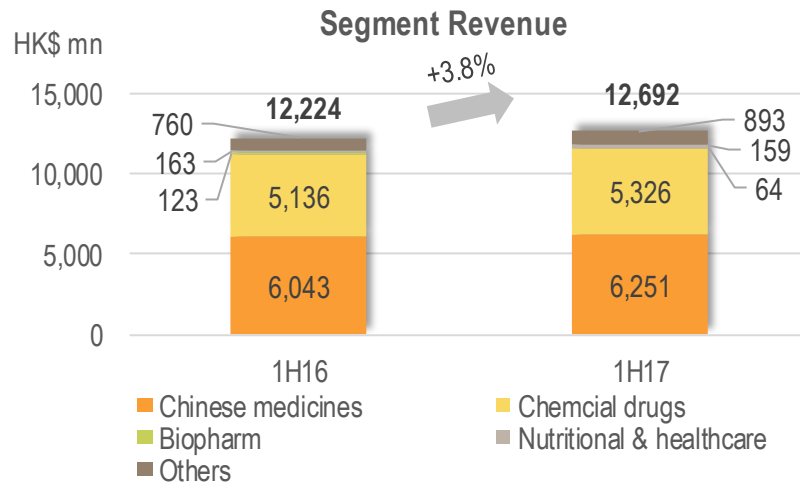
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Manufacturing: Steady Topline Growth



- Manufacturing revenue increased by 3.8% YoY, to HK\$12.69bn in 1H17
- Chinese medicines, chemical drugs, biopharmaceutical and nutritional & healthcare products represented 49%, 42%, 1% and 1% of our Manufacturing revenue respectively in 1H17
- Manufactured a comprehensive product portfolio covering key therapeutic areas: cardiovascular, cold remedies, anti-infection, track & metabolism, dermatology, pediatrics
- Manufactured ~450 products, of which ~300 drugs are included on NRDL as of 30 Jun 2017
- Product brands widely recognized in China

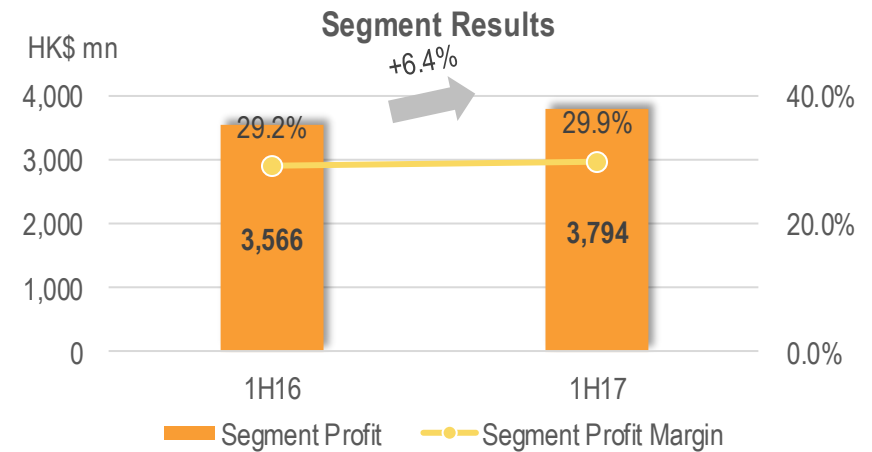
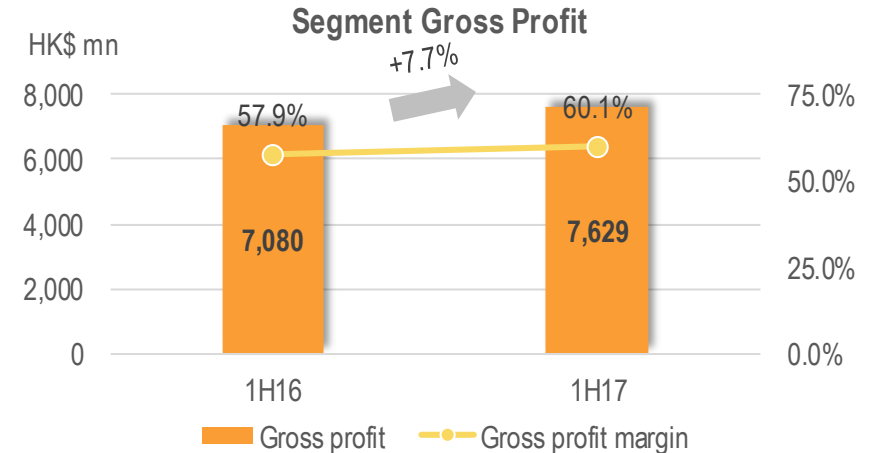
Rise in Manufacturing Profitability



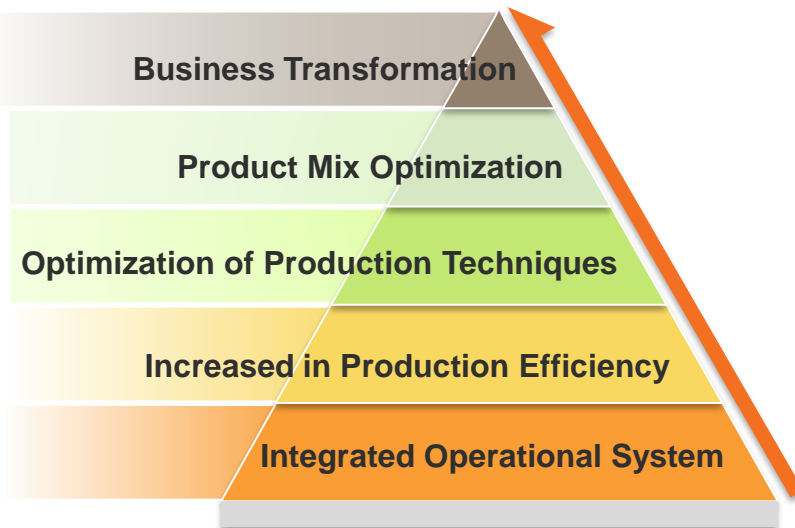
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- Manufacturing business in 1H17:
 - Gross profit increased 7.7% to HK\$7.63bn. GP margin was 60.1%, 2.2ppt higher YoY
 - Segment results grew 6.4% to HK\$3.79bn
- Continued to transform business, upgrade product portfolio, optimize production techniques

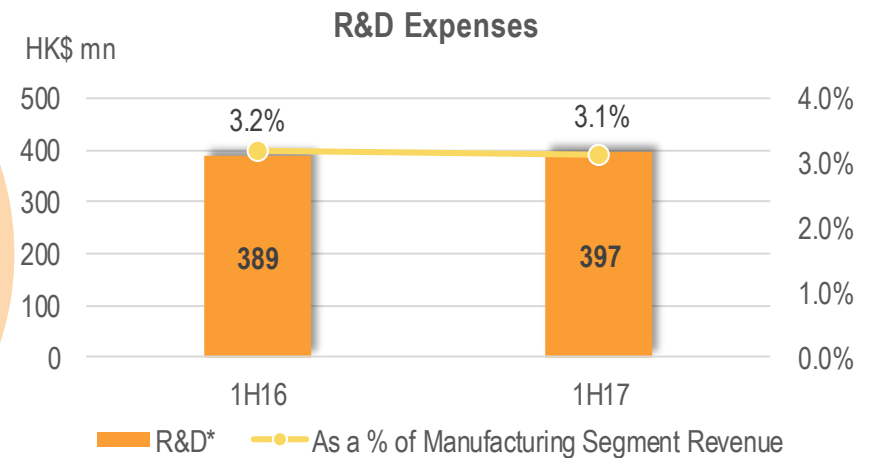
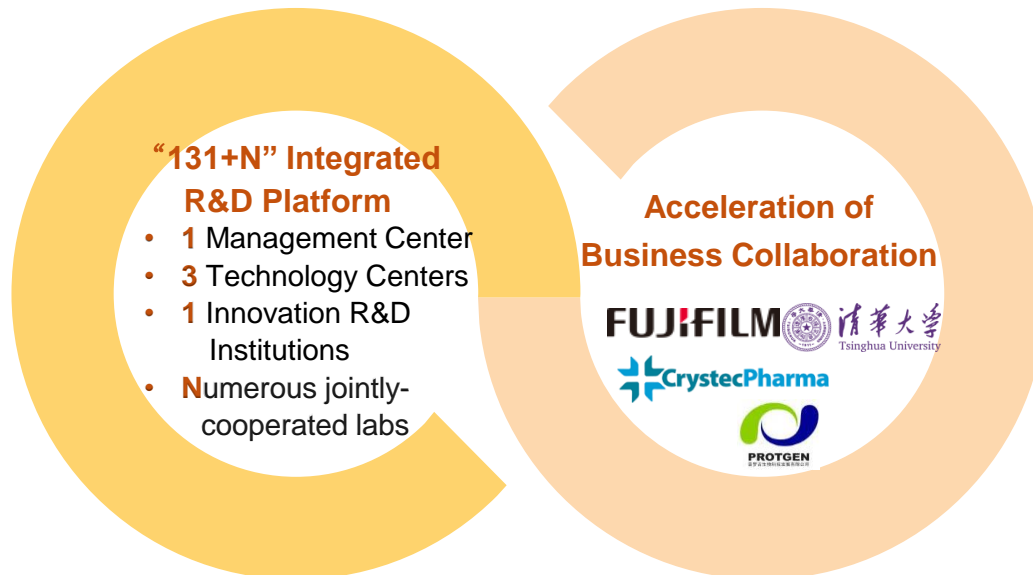


Segment Results = Gross Profit – Selling Expenses



Integrated R&D Platform

- R&D expenses amounted to HK\$397mn in 1H17, representing 3.1% of manufacturing segment revenue
- As of 30 Jun 2017, 225 projects under our R&D programs, of which 32 pending to CFDA's registration approval. In 1H17, obtained 19 patents and completed applications for a number of major projects including a co-operation project with National Natural Science Foundation of China
- Formed strategic co-operations with strategic partners including National Center for Nanoscience and Technology of Chinese Academy of Sciences (中国科学院国家纳米科学中心), Tsinghua University, Union Institute of Materia Medica (协和药物所), FUJIFILM (富士胶片), Crystec UK, conducting research on drugs in various therapeutic areas including anti-tumor, immune system, anti-infective, respiratory system



*Incl. capitalized

Distribution: Continuously Expand Coverage

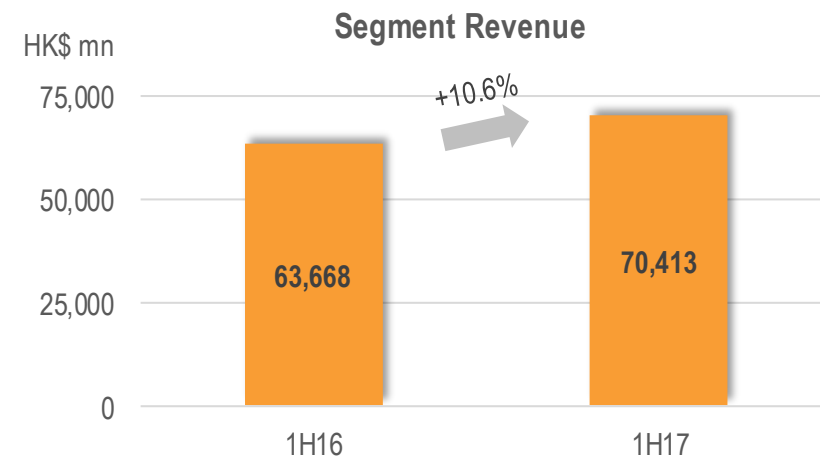


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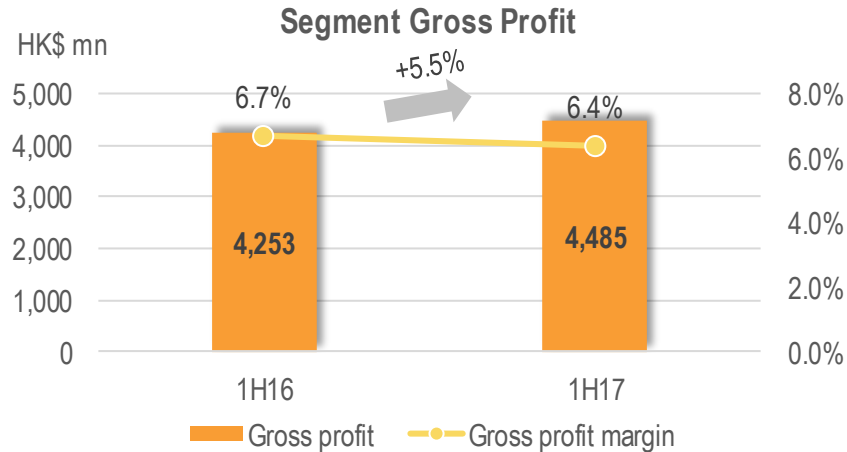
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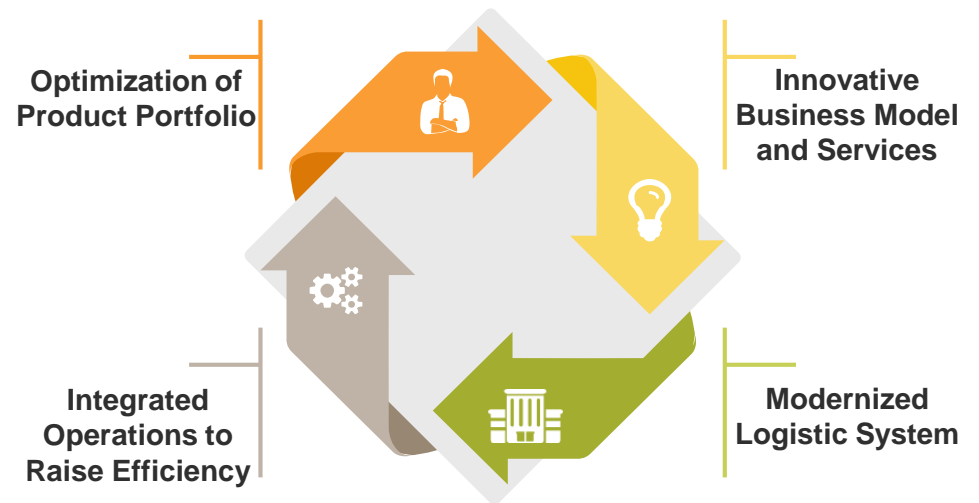
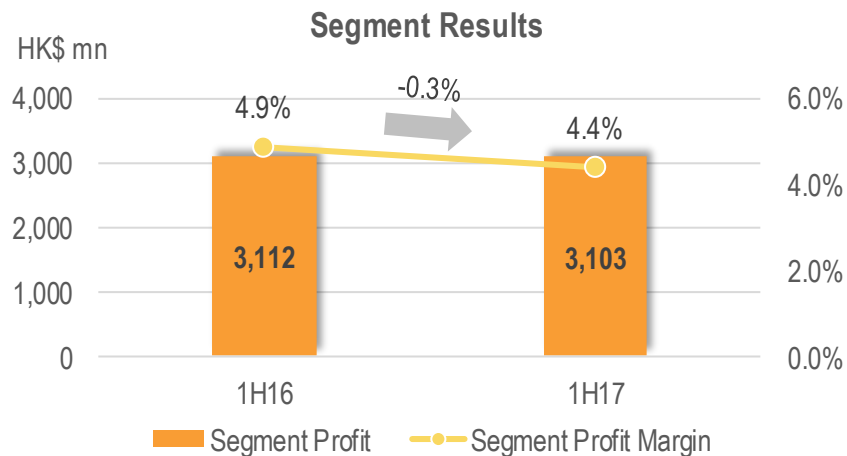
- Distribution revenue grew 10.6% YoY to HK\$70.4bn, mainly attributed to the expansion of breath and depth of network coverage
- To seize the opportunities arising from Two-Invoice Policy, the Group continued to optimize its network coverage and raise direct sales proportion. It expanded the distribution coverage in 4 provinces, i.e. Jiangxi, Hainan, Qinghai and Xinjiang, to 27 provinces; continued to extended into municipal cities to strengthen regional coverage
- By Jun 2017, we had ~64,000 customers, including 5,085 Class II & III hospitals, 32,164 primary medical institutions

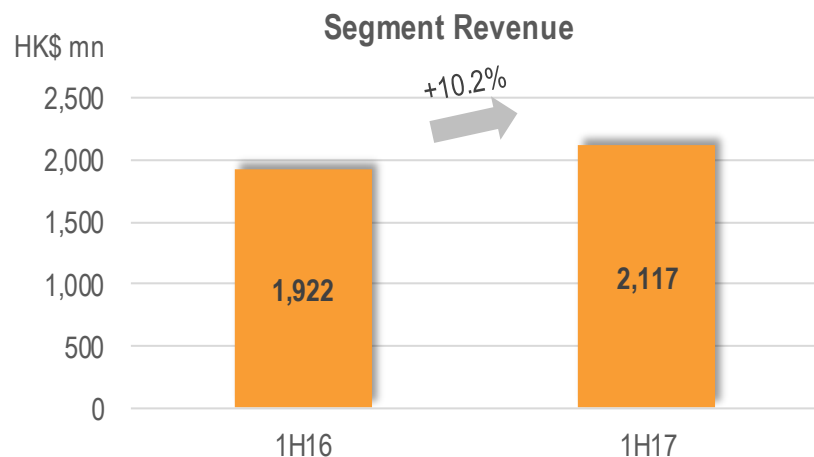


Offering Intelligent Value-added Services

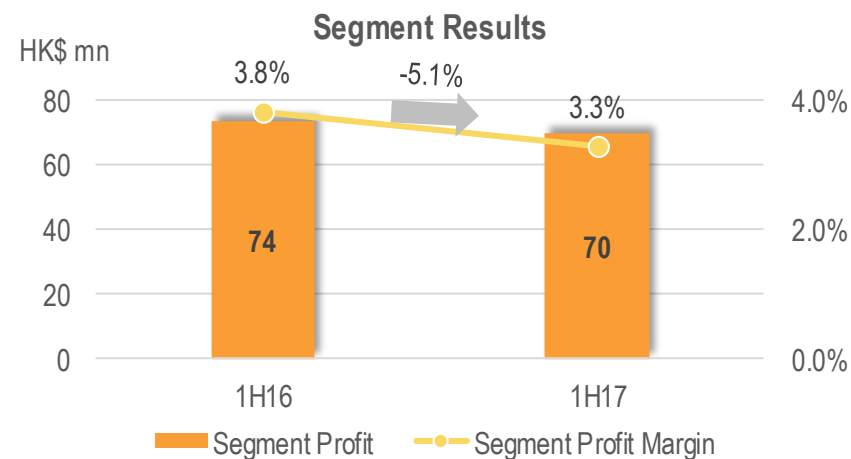
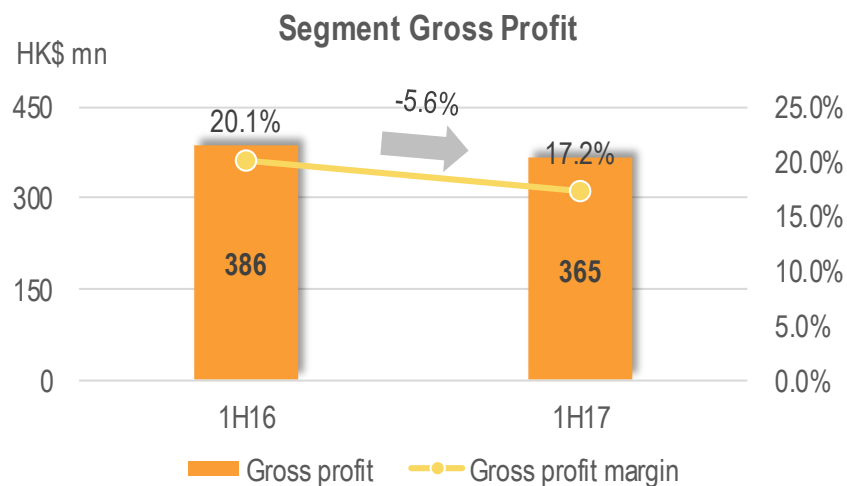


- In 1H17, Distribution business's gross profit and segment profit were HK\$4.5bn and HK\$3.1bn respectively. GP margin was 6.4%.
- Continues to expand the modernized logistic network. By Jun 2017, the network comprised of 130 logistic centers.
- Continued to optimize product portfolio; offered innovative value-added services; pursue integrated business operational model.





- Retail business in 1H17:
 - Revenue increased 10.2% YoY, mainly driven by satisfactory growth of DTP business
 - Gross margin was 17.2%, lowered by 2.9ppt YoY, mainly due to the faster growth of lower-margin DTP business
- By the end of Jun 2017, the Group operated ~745 retail pharmacies, including 81 DTP pharmacies across 44 cities





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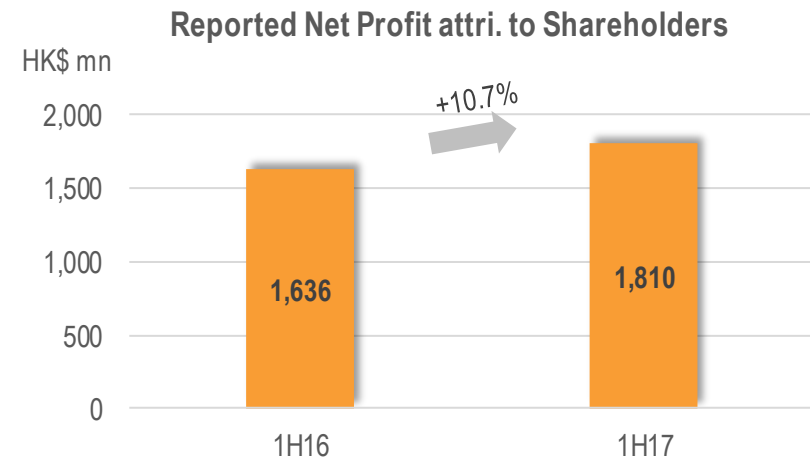
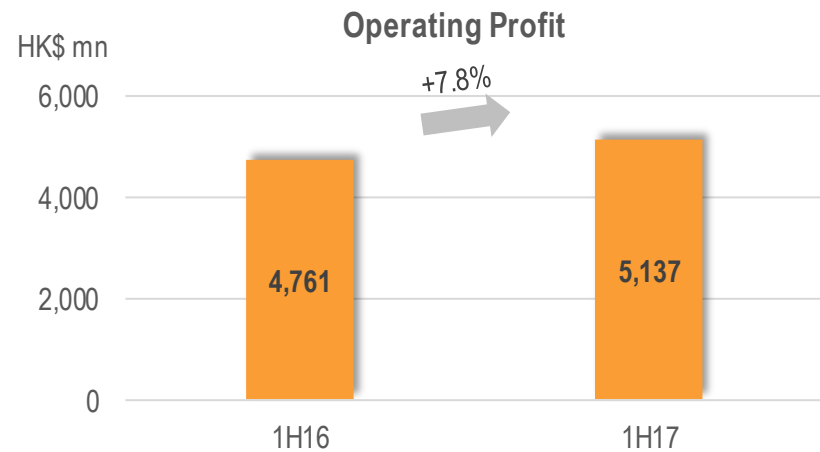
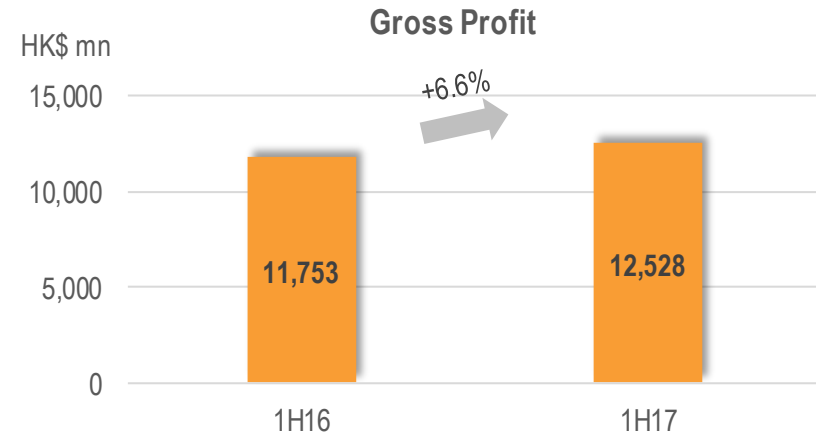
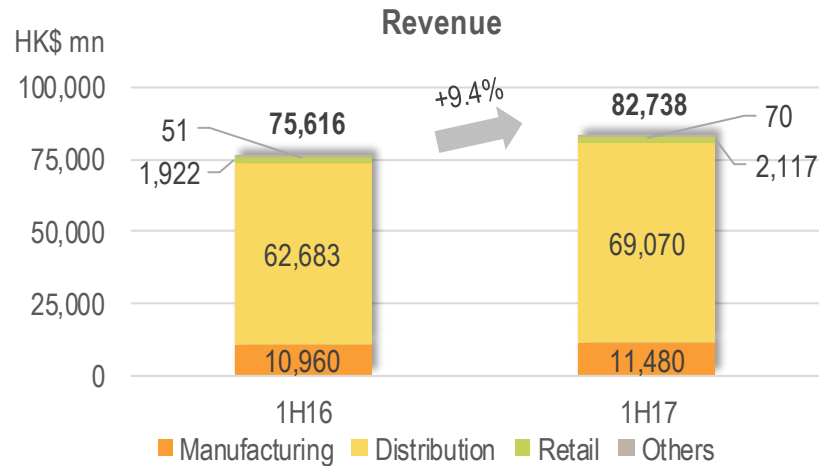
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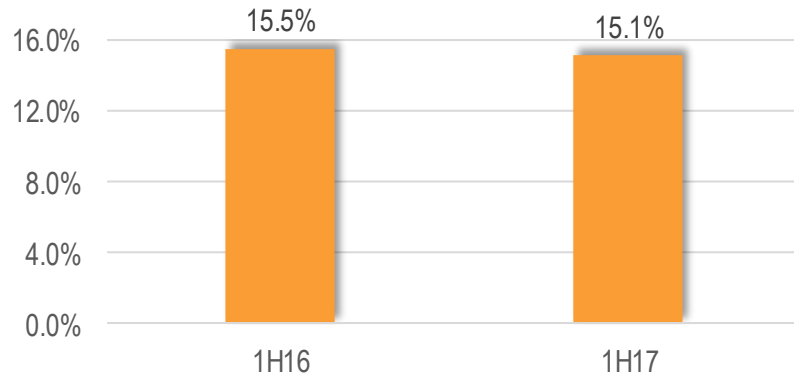
Solid Growth Momentum



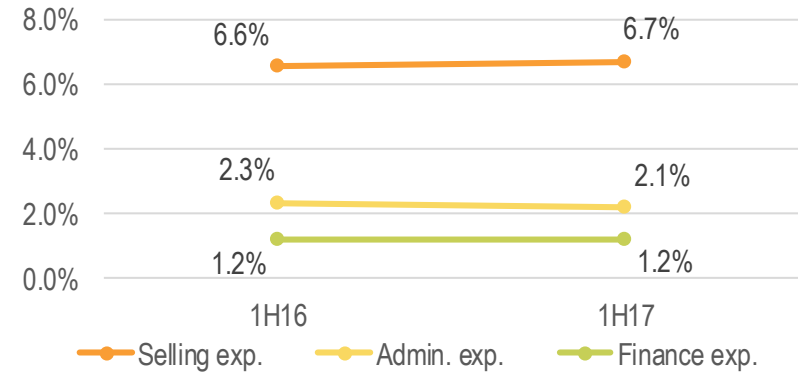
Operating profit = Pre-tax profit + finance expense – interest income – FX gain (loss) – other non-operating items

Gross Margin Stable; Operating Efficiency Raised

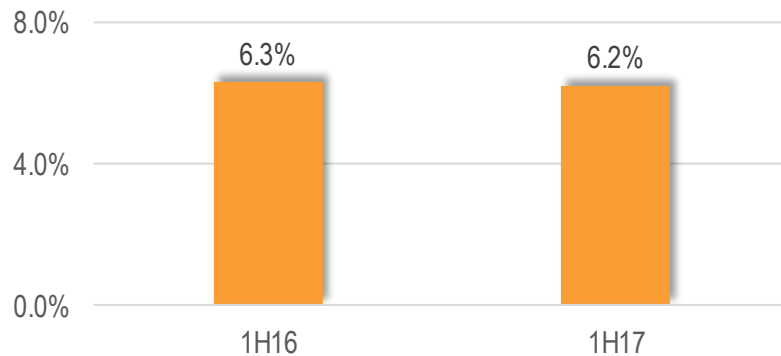
Gross Margin



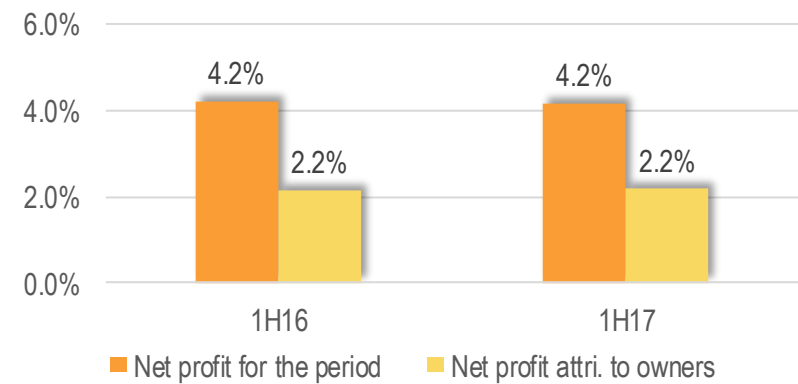
Operating Expense Ratios



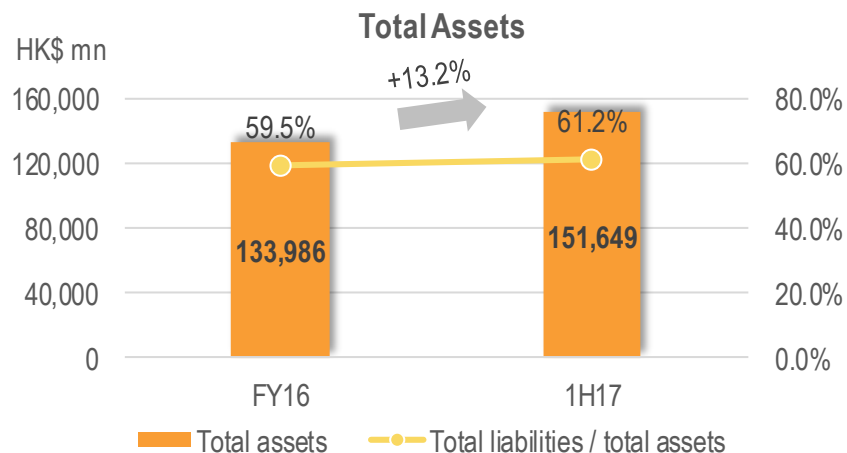
Operating Margin



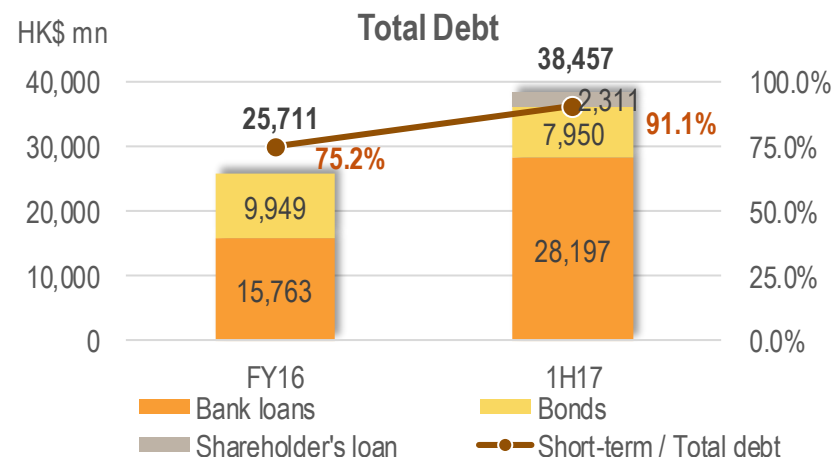
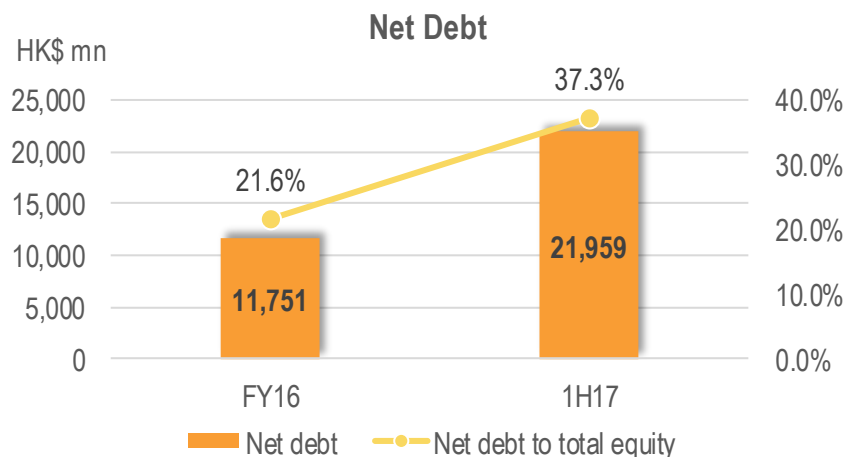
Net Profit Margin



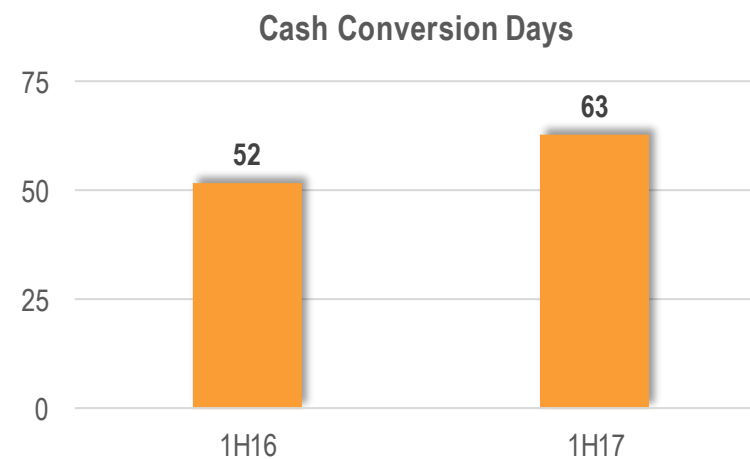
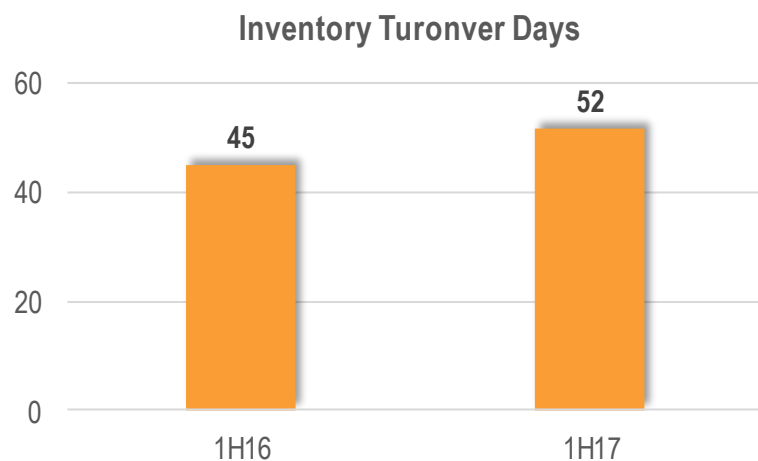
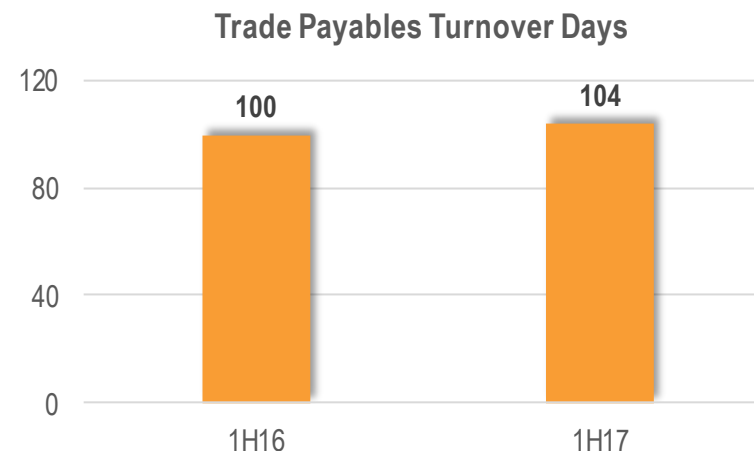
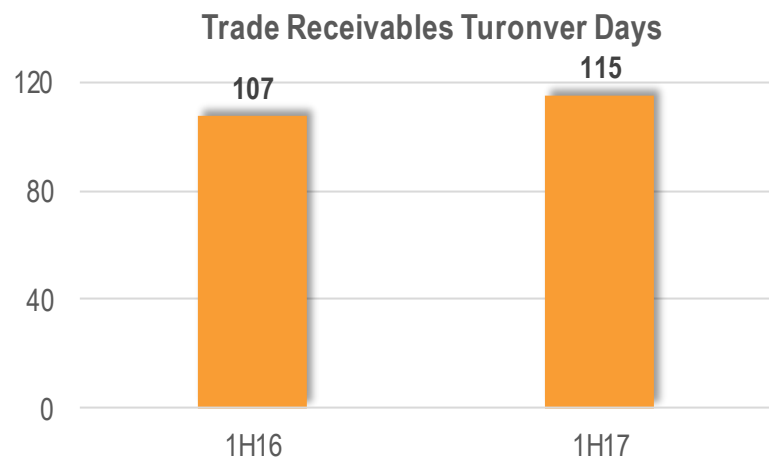
Steady Asset Growth; Manageable Gearing



- In 1H17, total assets grew 13.2% to HK\$151.6bn. As of 30 Jun, total liabilities-to-total assets ratio was 61.2% and net debt-to-total equity was 37.3%.
- In 1H17, total debt increased to HK\$38.5bn, mainly due to the increase in bank loan. Bank borrowings and bond represented ~73% and 21% of total debt respectively. 91% of the debt was short-term.



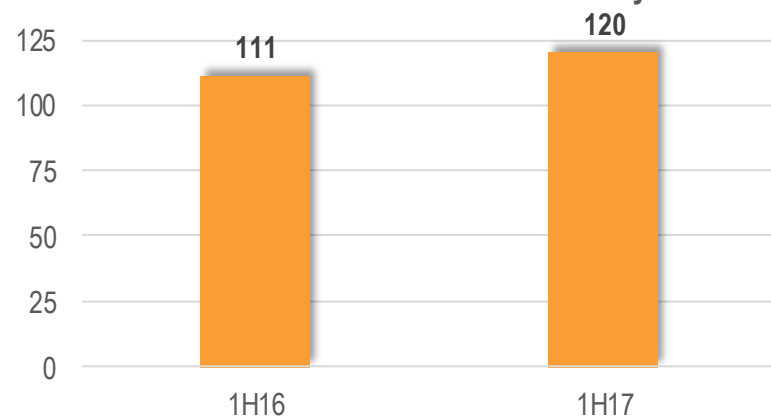
Working Capital Turnover – Overall



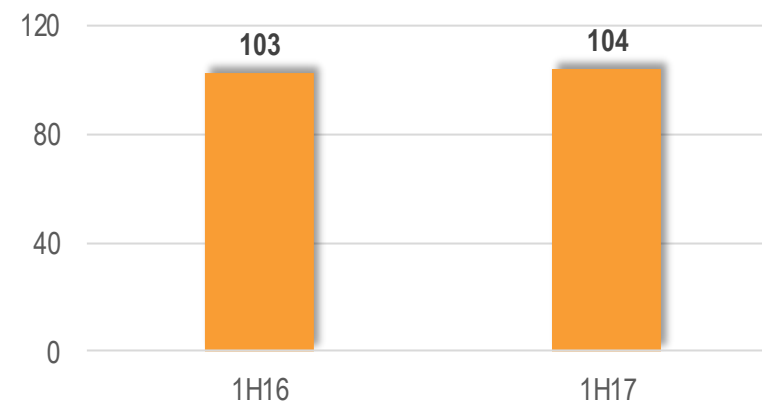
Working Capital Turnover – Distribution



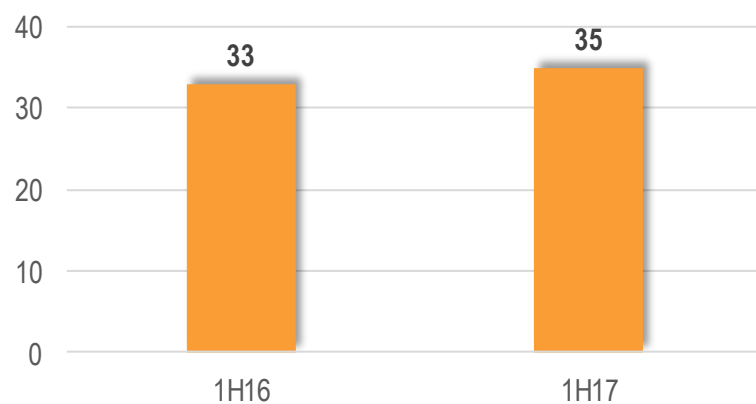
Trade Receivables Turnover Days



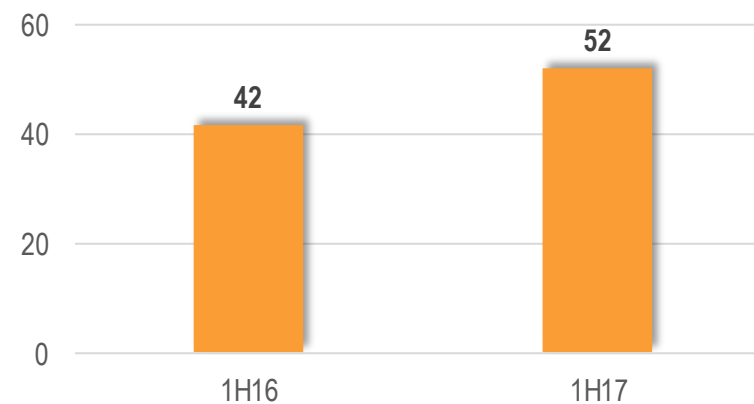
Trade Payables Turnover Days



Inventory Turnover Days



Cash Conversion Days



Q&A



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Appendix 1: Income Statement Highlights



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HK\$ mn	1H16	1H17	YoY
Revenue	75,616	82,738	9.4%
Gross Profit	11,753	12,528	6.6%
Gross Profit Margin	15.5%	15.1%	
Operating Profit	4,761	5,137	7.8%
Operating Profit Margin	6.3%	6.2%	
Net Profit for the Company	3,181	3,453	8.6%
Net Profit Attributable to Shareholders	1,636	1,810	10.7%
Net Margin (Profit Attributable to Shareholders)	2.2%	2.2%	
EPS (HK\$)	0.35	0.29	

Number of shares: 4,629mn in 1H16 (pre-IPO) / 6,285 in 1H17

Appendix 2: Balance Sheet Highlights



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HK\$ mn	FY16	1H17
Total assets	133,986	151,649
PPE	12,500	13,844
Goodwill	17,405	19,353
Trade receivable (net)	42,006	49,503
Inventories	18,859	20,782
Bank and cash	13,960	16,498
Total liabilities	79,684	92,784
Trade payable	25,710	30,260
Bank borrowings	15,763	28,197
Bonds payable	9,949	7,950
Total equity (incl. MI)	54,302	58,865
Shareholders' equity	37,620	39,907
Current ratio	1.3	1.2
Total debt	25,711	38,457
Net debt	11,751	21,959
Net debt / total equity	0.22	0.37

Appendix 3: 1H17 Segment Results

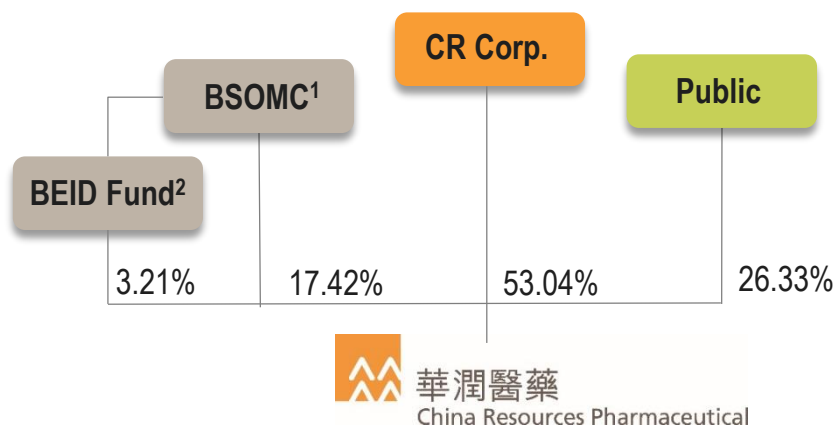


HK\$ mn	Manufacturing	Distribution	Retail	Others	Total
External Revenue	11,480	69,070	2,117	70	82,738
Segment results	3,794	3,103	70	50	7,017
Other income					468
Other gains & losses					(27)
Admin expenses					(1,778)
Other expenses					(341)
Share of results of associates					36
Finance costs					(955)
Profit before tax					4,420

Principal Business

- A leading integrated pharmaceutical company in China
- Principally engaged in the manufacture, distribution and retail of pharmaceutical and healthcare products

Shareholding Structure



¹ Beijing State-Owned Capital Operations and Management Centre (BSCOMC) is owned by Beijing SASAC

² BEID Fund is an offshore investment fund controlled by BEIDMCI Limited, which is a joint venture owned by Beijing SASAC and JP Morgan Asset Management Private Equity (China) Co., Ltd.

Share Information

- Listed on the SEHK on 28 Oct 2016 (stock code: 3320.HK)
- Issued shares: 6,285mn (as of 31 July 2017)
- Market cap: US\$7.64bn (as of 22 Aug 2017)
- Constituent stock of global indices
 - **FTSE Index Series**
 - Global Equity Index (Large Cap)
 - FTSE All-World Index
 - FTSE AllCap (LMS) Index
 - **Hang Seng Index Series**
 - Composite LargeCap Index (eligible for trading under SHA/SZ–HK Stock Connect)
 - Mainland Healthcare Index
 - Healthcare Index
 - **A-share subsidiaries included in MSCI**
 - CR Sanjiu (000999.SZ)
 - DEEJ (000423.SZ)

Appendix 5: Business Overview



Manufacturing

Revenue: HK\$12.7bn¹
Gross Profit: HK\$7.6bn

- One of the largest pharmaceutical manufacturers in China
- The largest OTC drug manufacturer in China
- Own well-known brandnames in China – CR Sanjiu, Dong-E-E-Jiao, CR Double-Crane and CR Zizhu



- Manufacture around 450 pharmaceutical products

Distribution

Revenue: HK70.4bn¹
Gross Profit: HK\$4.5bn

- The 2nd largest pharmaceutical distributor in China
- More than 110 subsidiaries covering 27 provinces
- Distribute more than 100,000 types of products, comprising ~40,000 types of prescription drugs and ~15,000 OTC pharmaceutical products
- Source products from ~10,000 international and domestic pharmaceutical manufacturers

Retail

Revenue: HK\$2.1bn¹
Gross Profit: HK\$0.4bn

- Operate ~740 retail pharmacies across x provinces in China and HK
- Own premium brand names
 - CR Care 华润堂 
 - Yibaoquanxin 医保全新 
 - Li'an chain 礼安连锁 
 - Tung Tak Tong 同德堂 

¹ Based on 1H17 segment financials

Appendix 6: Corporate Structure

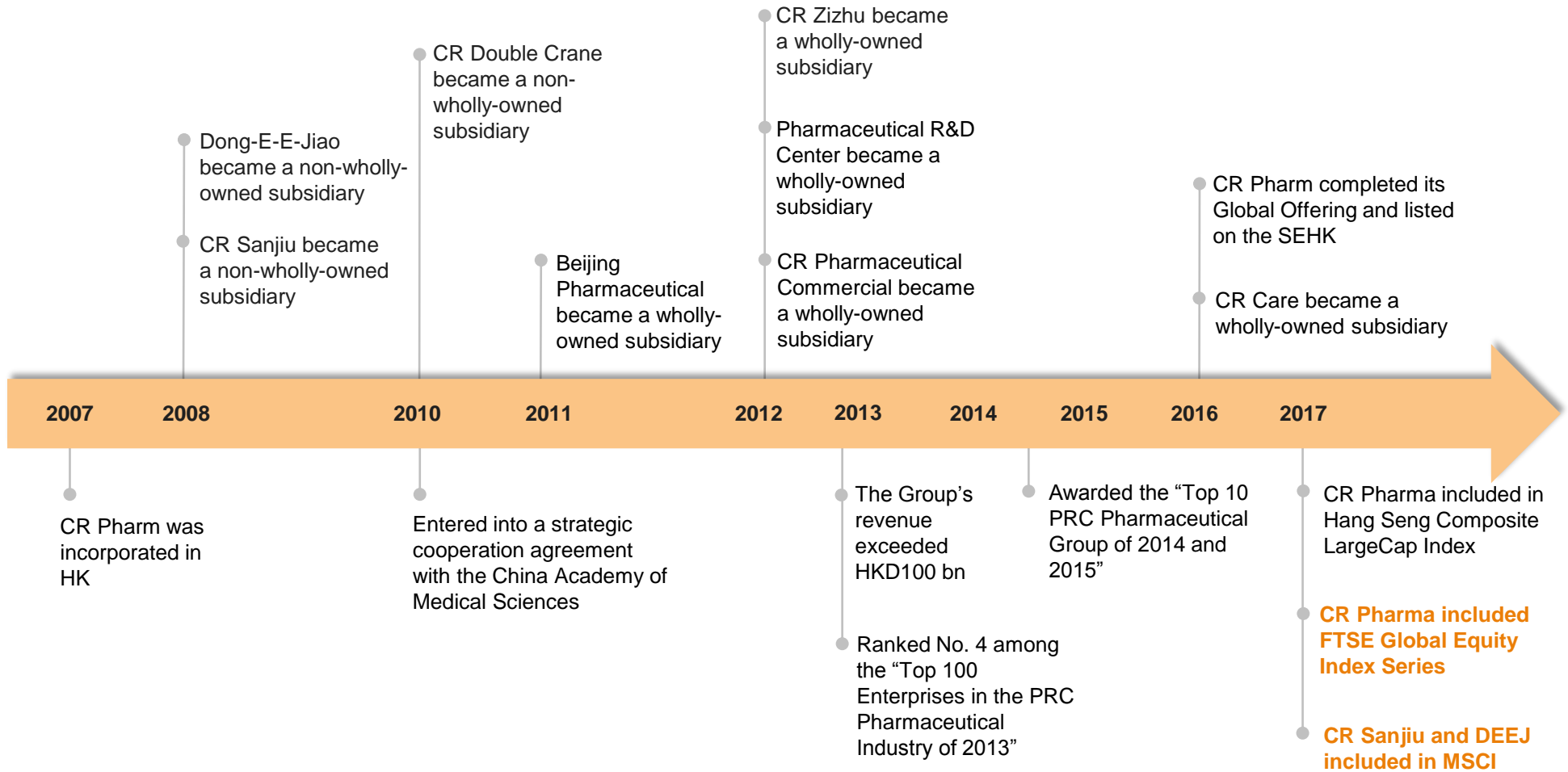


Appendix 7: Development History



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Appendix 8: Chinese Medicine & Nutritional Product



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Major Product	Therapeutic Area	Major Product	Therapeutic Area
 <p>E-Jiao block (阿胶块) and compound E-Jiao syrup</p>	E-Jiao product series	 <p>the Tianhe-branded Gutong patch (骨通贴膏), Tianhe Zhuifeng ointment (天和追风膏), and the Zhuanggu product series (壮骨系列)</p>	Orthopedics
 <p>Ganmaoling (感冒灵) and Compound Ganmaoling (复方感冒灵), Qiangli Pipalu (强力枇杷露)</p>	Cold and cough remedies	 <p>Shenfu injection (参附注射液), Shenmai injection (参麦注射液) and Shengmai injection (生脉注射液)</p>	Cardiovascular system
 <p>The Zhengtian (正天) product series</p>	Headache	 <p>Huachansu (华蟾素) and Javanica oil soft capsule (鸦胆子油软胶囊)</p>	Oncology
 <p>Sanjiu Weitai (三九胃泰), Qizhi Weitong (气滞胃痛), and Yinzhihuang (茵栀黄)</p>	Alimentary tract and metabolism	 <p>A portfolio of Chinese medicine formula granules comprised of 694 products</p>	Chinese medicine formula granules (中药配方颗粒)
 <p>Xiao'er Ganmao granules (小儿感冒颗粒) and Xiao'er Zhike syrup (小儿止咳糖浆)</p>	Pediatrics	 <p>Taohuaji (桃花姬) is our flagship nutritional product, which is derived from our E-Jiao Chinese medicine product series</p>	Nutritional product

Appendix 9: Chemical Drugs

Major Product	Therapeutic Area	Major Product	Therapeutic Area
 <p>Compound Reserpine and Triamterene tablets (Hypertensive No. 0) (复方利血平氨苯蝶啶片(降压0号))</p>	Cardiovascular system	 <p>Cefazolin Sodium Pentahydrate for injection (Xintailin) (注射用五水头孢唑林钠 (新泰林))</p>	Anti-infectives
 <p>Amlodipine Besylate tablets (Yashida) (苯磺酸氨氯地平片(压氏达))</p>	Cardiovascular system	 <p>The peritoneal dialysis solution, or peritoneal dialysate</p>	Nephrology
 <p>Valsartan capsules (Suiyue) (缬沙坦胶囊(穗悦)) and Valsartan-Hydrochlorothiazide tablets (Fu Suiyue) (缬沙坦氢氯噻嗪片(复穗悦)),</p>	Cardiovascular system	 <p>Calf Pulmonary Surfactant for injection (Kelisu) (注射用牛肺表面活性剂(珂立苏))</p>	Pediatrics
 <p>Pitavastatin Calcium tablets (Guanshuang) (匹伐他汀钙片(冠爽))</p>	Cardiovascular system	 <p>Pediatric Compound Amino Acid injection (小儿复方氨基酸注射液)</p>	Pediatrics
 <p>Gliquidone tablets (Tangshiping) (格列喹酮片(糖适平)) Metformin Sustained-release tablets (Buke) (二甲双胍缓释片(卜可))</p>	Alimentary tract and metabolism (Anti-diabetes)	 <p>Levonorgestrel tablets (左炔诺孕酮片), branded as Yuting and Golden Yuting</p>	Reproductive Health
 <p>Five basic types of IV solution container systems, namely glass bottle, plastic bottle, flexible bag, standing bag and BFS</p>	Large-volume IV infusion	 <p>Compound Dexamethasone Acetate cream (Piyanning) (复方醋酸地塞米松乳膏(皮炎平)) product series</p>	Dermatological Products