



華潤醫藥集團有限公司

China Resources Pharmaceutical Group Limited



2018 Annual Results

March 2019

Disclaimer

The information in this presentation has been prepared by China Resources Pharmaceutical Group Limited (the "Company") for use in presentations by the Company and does not constitute a recommendation regarding the securities of the Company.

Although care has been taken to ensure that the facts stated in this document are accurate, and that the opinions expressed are fair and reasonable, the contents of this document have not been independently verified and certain information contained in this document may differ from the Company's disclosure documents. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained herein. None of the Company nor any of its directors, employees or representatives shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation. The information set out herein may be subject to updating, completion, revision, verification and amendment without notice and such information may change materially. This presentation is based on the economic, regulatory, market and other conditions as in effect on the date hereof.

It should be understood that subsequent developments may affect the information contained in this presentation, which neither the Company nor its representatives are under an obligation to update, revise or affirm.

The information communicated in this presentation contain certain statements that are or may be forward looking. These statements typically contain words such as "will", "expects" and "anticipates" and words of similar import. These forward-looking statements reflects the current view of the Company with respect to future events are based on a number of assumptions about the Company's operations and factors beyond the Company's control and are subject to significant risks and uncertainties, and, accordingly, actual results may differ materially from these forward-looking statements. Accordingly, you should not place undue reliance on any forward-looking information. In particular, no representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on, any projections, targets, estimates or forecasts contained in this document. The Company shall not have (a) any obligation to update on further changes to such information or to correct any inaccuracies or omissions in this document nor (b) any liability in respect of the use of, or reliance upon, the information contained herein by you or any person to whom the information herein is disclosed.

This presentation and the information contained herein do not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe for any securities, nor shall they or any part of them form the basis of or be relied on in connection with any contract or commitment whatsoever. . The securities of the Company have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any State securities laws in the United States and may not be offered, sold or delivered within the United States absent from registration under or an applicable exemption from the registration requirements of the United States securities laws.

The contents of this document have not been reviewed by any regulatory authority in any jurisdiction. This presentation and the information contained herein are being furnished to you solely for your information and may not be reproduced or redistributed to any other person, in whole or in part. In particular, neither the information contained in this presentation nor any copy hereof may be, directly or indirectly, taken or transmitted into or distributed in the United States, Canada, Australia, Japan, PRC, Hong Kong or any other jurisdiction which prohibits the same except in compliance with applicable laws. Any failure to comply with this restriction may constitute a violation of U.S. or other jurisdiction's securities laws.

No invitation is made by this presentation or the information contained herein to enter into, or offer to enter into, any agreement to purchase, acquire, dispose of, subscribe for or underwrite any securities or structured products, and no offer is made of any shares in or debentures of a company for purchase or subscription except as permitted under the laws of Hong Kong. No money, securities or other consideration is being solicited, and, if sent in response to this presentation or the information contained herein, will not be accepted.

By reviewing this presentation, you are deemed to have represented and agreed that you and any customers you represent (a) are either (i)a "qualified institutional buyer" (within the meaning of Regulation 144A under the Securities Act), or (ii) outside of the United States; and (b) are "professional investors" as defined in the Securities and Futures Ordinance (Cap 571 Laws of Hong Kong) and any rules made under that Ordinance.

This presentation and the information contained herein are strictly confidential. You are agreeing to maintain absolute confidentiality regarding the information contained in this presentation. These materials are given to you solely for your own use and information and no part of this document may be copied or reproduced or redistributed or passed on, directly or indirectly, to any other person (whether within or outside your organization/firm) in any manner or published, in whole or in party, for any purpose. Any failure to comply with these limitations may constitute a violation of law and may lead to legal or regulatory action.

1

2018 Highlights

2

Business Review

3

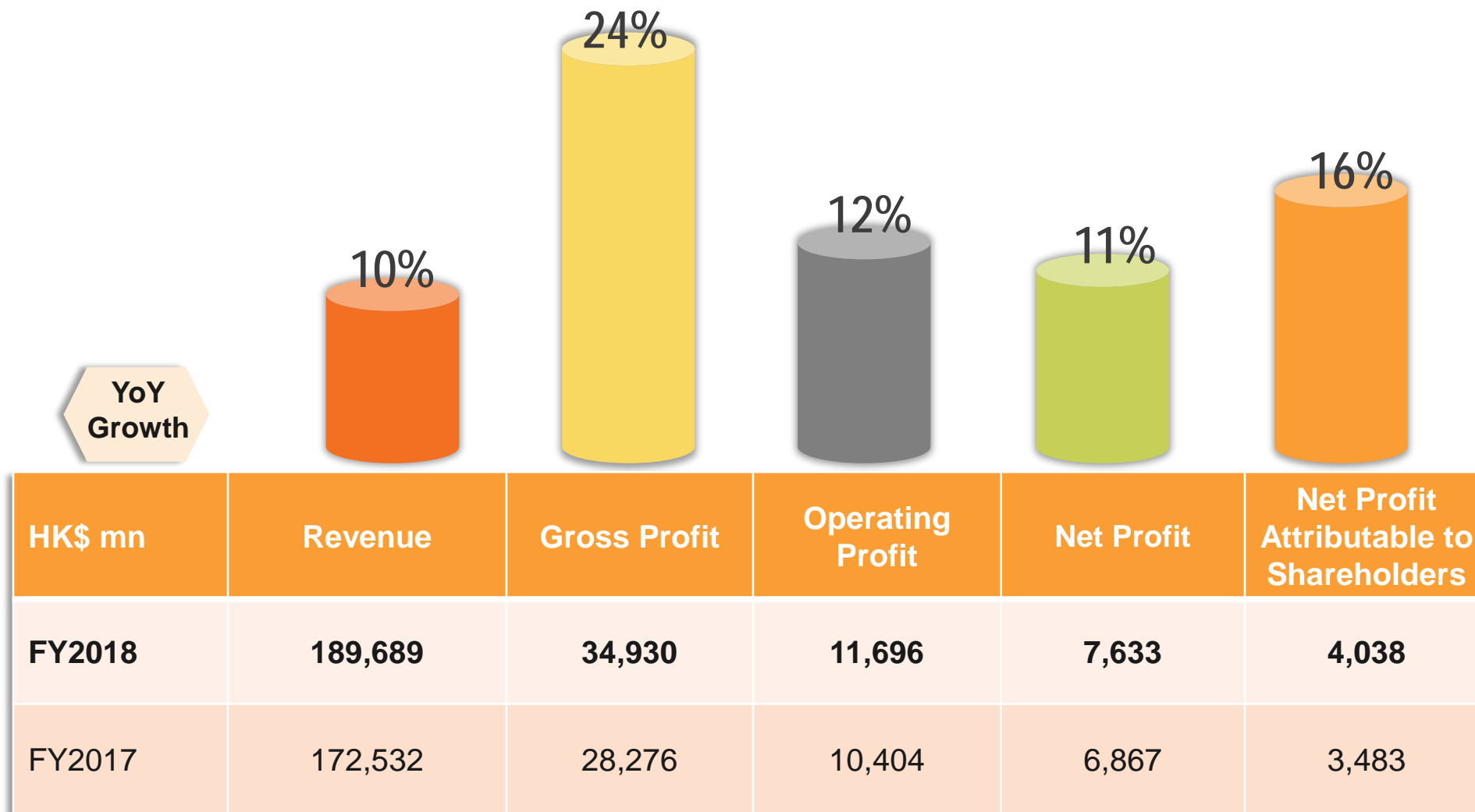
Financial Review

4

Appendix



Solid Overall Financial Performance



Operating Profit = Profit before Tax + Finance Expense – Interest Income – Foreign exchange loss – other gain/loss from non-operating activities

2018 Highlights

Maintain Strong & High-Quality Organic Growth

Manufacturing

Segment revenue: HK\$35.0bn

Segment gross profit: HK\$22.7bn

Distribution

Segment revenue: HK\$155.3bn

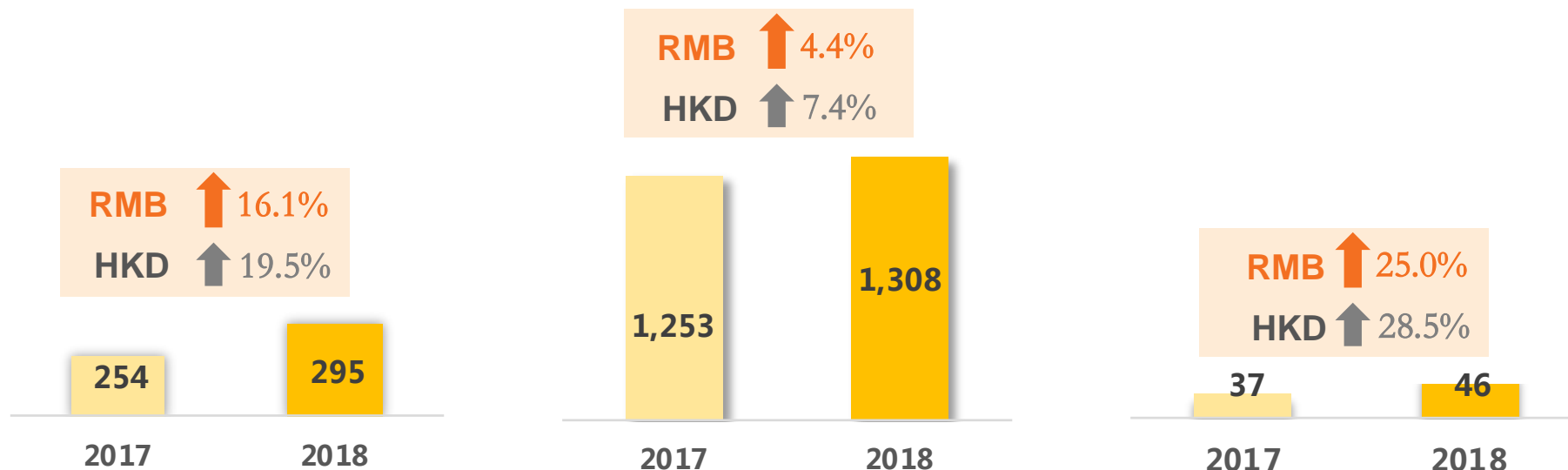
Segment gross profit: HK\$11.4bn

Retail

Segment revenue: HK\$5.5bn

Segment gross profit: HK\$0.8bn

Segment Revenue Growth (Rmb bn)



- Focused on core products
- Promoted biz transformation
- Optimized product mix

- Improved biz structure
- Explored medical device distribution
- Provided innovative services

- Integrated retail resources
- Accelerated DTP biz

Explore Growth Potential through Expansion

Acquired Jiangzhong Group to strengthen OTC sector

- Entered into strategic cooperation framework agreement to restructure Jiangzhong Group. In Aug and Sep 2018, CR Pharma signed share subscription agreement to acquire 51% equity interest of Jiangzhong Group for RMB 3.1bn in cash and hold 43.03% interests in Jiangzhong Pharma. The deal was completed in Feb 2019
- As a leading manufacturer of OTC products in China, Jiangzhong Pharma expected to achieve business synergies with CR Pharma in respect of pharmaceutical manufacturing business

Strengthened the competitive advantages of regional distribution network

- Including the new coverage of Gansu Province, CR Pharma completed several municipal-level M&A projects which enhanced the regional market penetration and optimized the distribution network layout in depth and width
- CR Pharma Commercial Group Company Ltd. intended to subscribe all non-publicly issued shares of Zhejiang Int'l Group Co., Ltd, which in turn enables the company to hold 16.67% equity interest in Zhejiang Int'l Group Co., Ltd.

Diversified product line of chemical drugs

- CR Double-Crane enhanced the product line of psychiatric and neurological specialty drugs by acquiring 85.65% equity interest of Xiangzhong Pharma
- CR Double-Crane became the only shareholder by further acquiring 40% of equity interest of CR Double-Crane Limin Pharma, which helps to further unify the business layout and integrate relevant resources

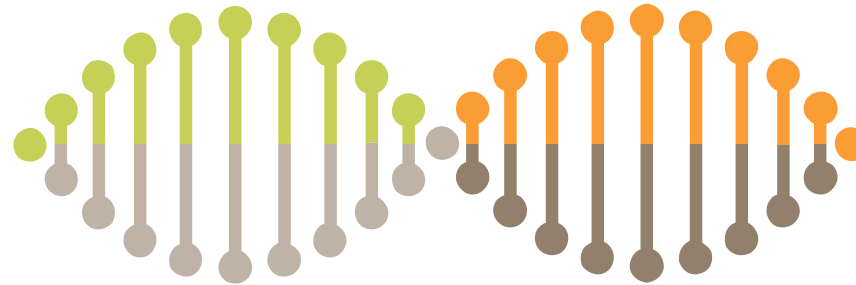
Foresighted investment strategy of Industrial Investment Fund

- CR Pharma Industrial Investment Fund LLP accomplished several investments in TCM, medical devices and biopharm, and became strategic investor in Pre-IPO stage of Fusen Pharma, which was listed on HKEX in July 2018
- The investment projects have achieved business synergies with the Group in terms of R&D, pharmaceutical manufacturing and distribution

Increased share holdings of Dong-E-E-Jiao

In 2018, CR Pharma increased share holdings of Dong-E-E-Jiao by 9.60 million shares, which increased the company's direct equity interests in Dong-E-Jiao to 8.12%. The CR Pharma controls total of 31.26% equity interests in Dong-E-E-Jiao



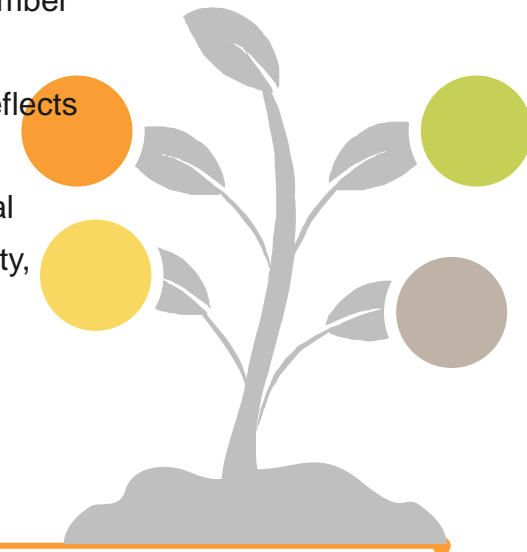


Strengthen Biopharmaceutical Sector by Integrating Respective Resources

- **Restructured Angde Biotech**, a subsidiary of Done-E-E-Jiao, by injecting R&D product Dulaglutide from CR Pharma as well as cash and R&D product Insulin from CR Biomedical
- Two injected R&D recombinant protein products together with Angde Biotech's R&D product will form an advanced product portfolio for diabetes treatment, and the **Angde Biotech shall become production and operation platform for recombinant protein biopharmaceutical drugs**. CR Pharma will further integrate R&D, production and marketing resources of biopharmaceutical business
- **The biopharmaceutical sector has equipped advanced platforms for R&D and production and obtained high-potential R&D products** focusing on anti-tumor, immune, cardiovascular and other areas

Included in Hang Seng Corporate Sustainability Index

In August 2018, CR Pharma was selected as a constituent member of the Hang Seng Corporate Sustainability Index, which reflects the Group's outstanding performance in environmental protection, social responsibility, and corporate governance



Facilitate the transformation and upgrade of manufacturing business

Strengthen the core areas, diversify & optimize the product portfolios, and promote transformation & upgrading the manufacturing business

Become intelligent pharmaceutical distribution solution provider

Optimize the distribution network layout, promote innovative business models, and optimize product and business structure

Further improve R&D and innovation system

Improve the innovation mechanism and increase R&D investments, at the same time, accelerating access and industrialize of high-quality products



Promote business expansion through acquisitions

Obtain access to high-quality resources through strategic M&A and leverage pharmaceutical industry funds to realize external development

Engage in international cooperation

Strengthen international collaboration platform, and facilitate cooperation with leading pharmaceutical MNCs

Improve operating quality and efficiency

Improve overall operation quality and efficiency by enhancing business synergy and integrating business resources

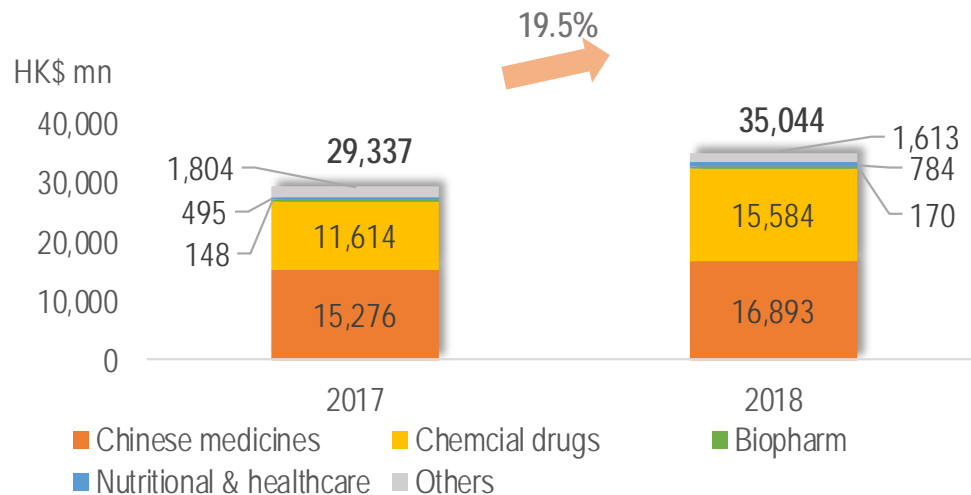
- 1 2018 Highlights
- 2 **Business Review**
- 3 Financial Review
- 4 Appendix



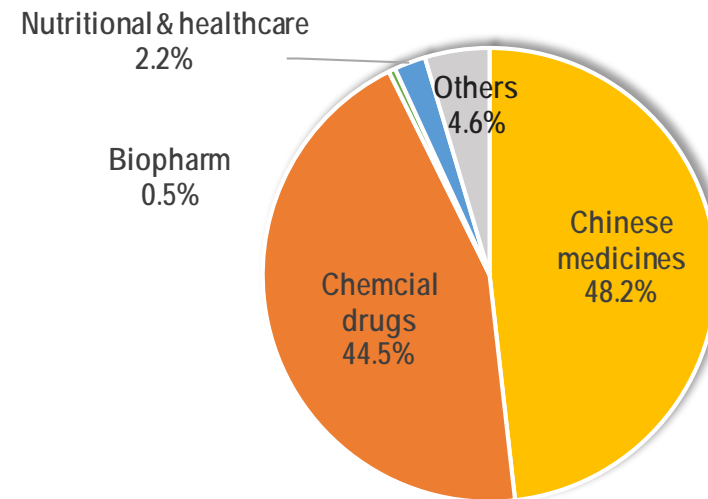
Desired Topline Growth with Optimized Product Portfolio

- Manufacturing segment continued focusing on core products, while diversifying product portfolio, strengthening capability in professional and academic promotion as well as increasing market share, revenue increased by 19.5% YoY, to HK\$35.0bn in 2018
- In 2018, Chinese medicines, chemical drugs, biological drugs and nutritional & healthcare products represented 48%, 45%, 0.5% and 2% of manufacturing segment revenue respectively
- Comprehensive product portfolio covering key therapeutic areas in cardiovascular, cold remedies, anti-infection, gastroenterology, dermatology and pediatrics
- Manufactured over 430 products, of which more than 260 are included in NRDL as of 31. Dec 2018

Segment Revenue



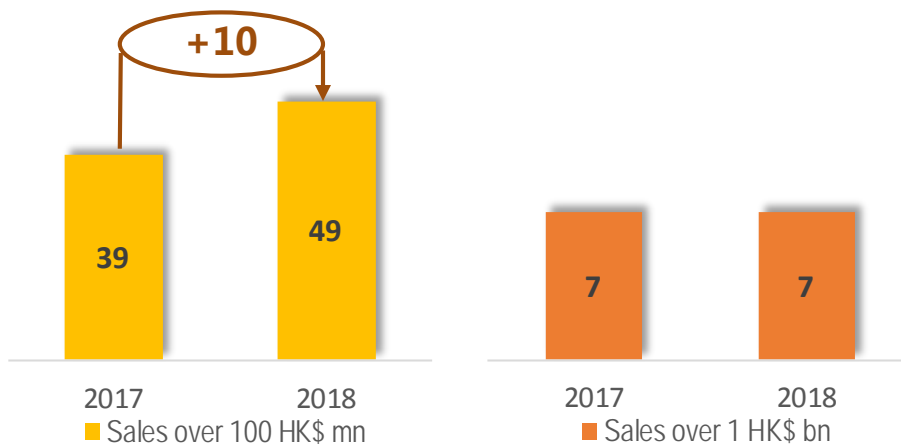
Revenue Breakdown



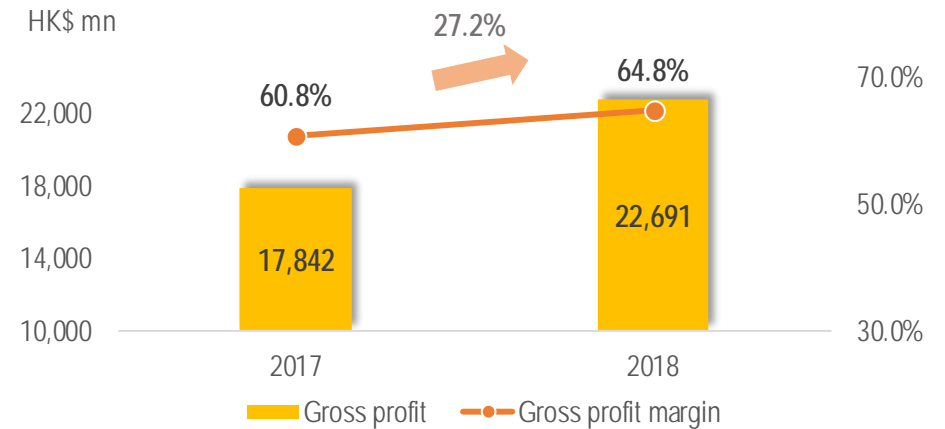
Increase in GP Margin by Focusing on Core Products

- Manufacturing business in 2018:
 - Gross Profit soared 27.2% YoY to HK\$22.7bn ; GP Margin 64.8%, 4.0ppt higher YoY
 - Segment Profit was HK\$8.7bn, or 13.3% YoY growth
- Continued to promote business transformation & lean management, focus on core products, and optimize product structure. 49 products exceed HK\$100mn in revenue, among which 7 exceed HK\$1bn

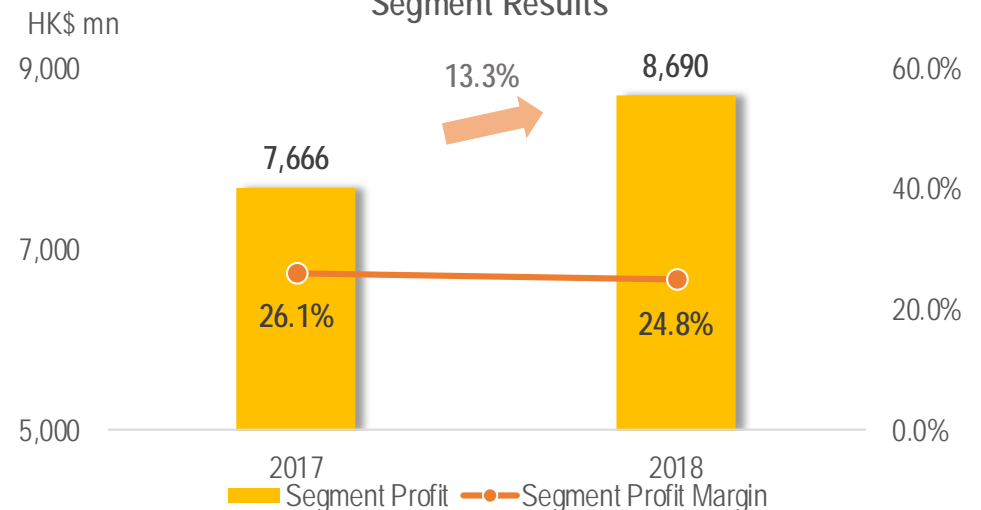
Number of Key Products



Segment Gross Profit

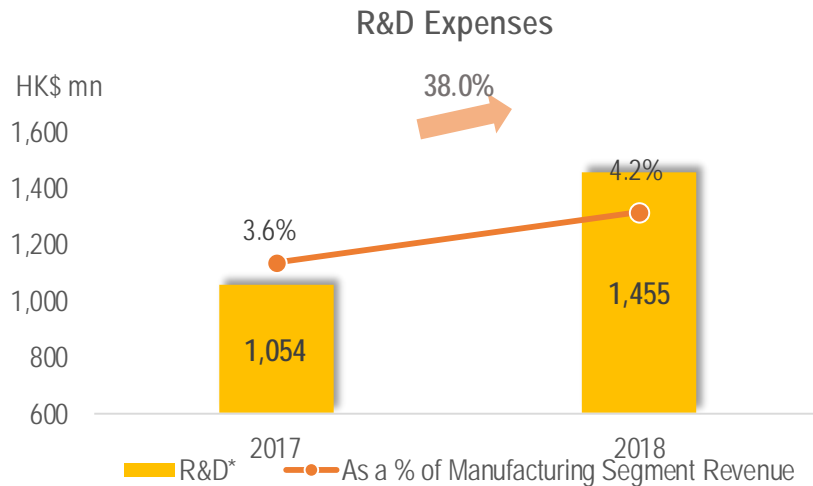


Segment Results

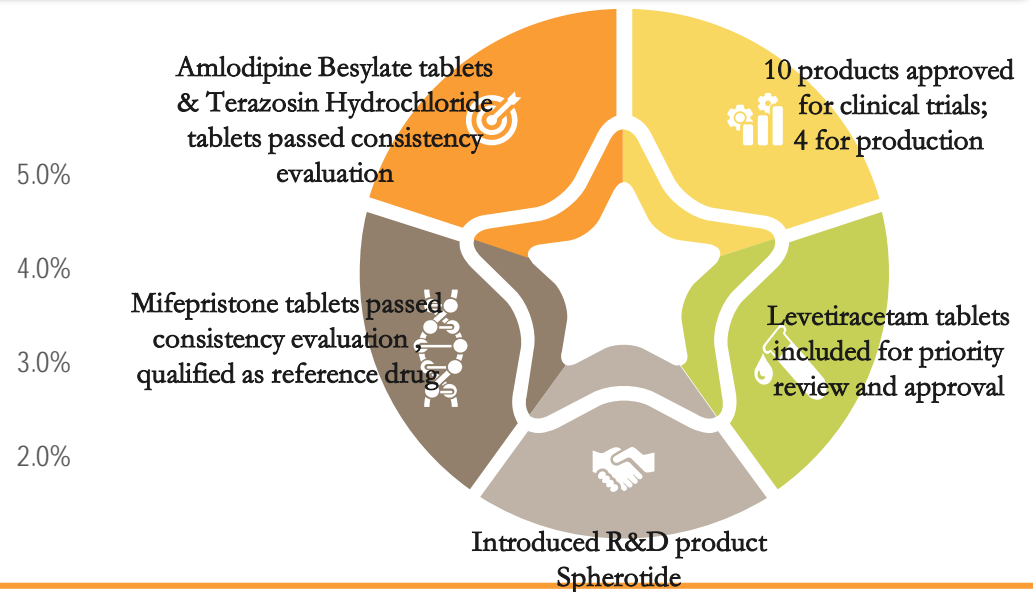


Gained Quality Product by Integrating R&D Layout

- In 2018, the R&D expenditure was HK\$1.5bn, or 4.2% of total revenue in manufacturing segment. At the end of 2018, possessed a total of 222 R&D projects, including 32 projects on innovative drugs; 10 products approved by NMPA for clinical trials and 4 approved for production in 2018
- Conducted multi-dimension strategic cooperation with the National Center for Nanoscience and Technology of Chinese Academy of Sciences, Union Institute of Materia Medica, Nankai University, WuXi AppTec, Fujifilm, and Pharmaron; introduced Spherotide, a long-acting microsphere-based injectable drug of clinical and market values, developed by Swedish company Xbrane
- Over 40 consistency evaluation projects have commenced, and over 8 products completed bioequivalence clinical trials, of which, Metformin Sustained Release Tablets, Azithromycin Tablets, Mifepristone Tablets and Finasteride Tablets have completed application filing. In 2018, Amlodipine Besylate tablets and Terazosin Hydrochloride Tablets passed consistency evaluation, Levetiracetam tablets included for priority review and approval, and in 2019 Mifepristone Tablet passed the consistency evaluation and obtained national reference drug qualification

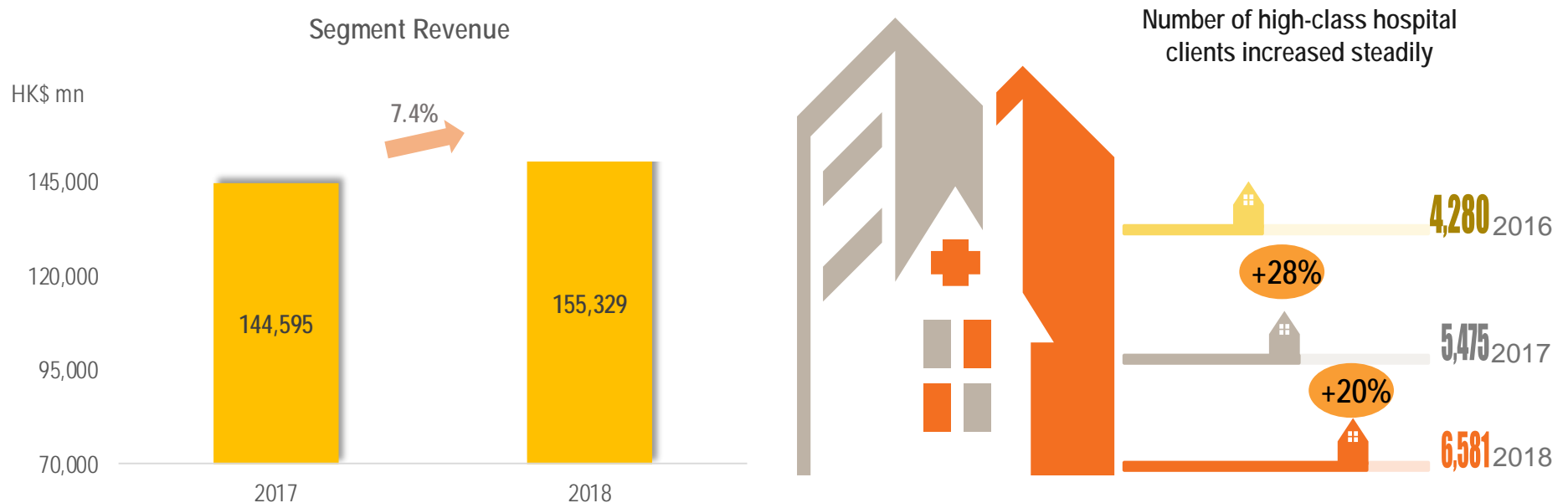


Including capitalized R&D expenditure

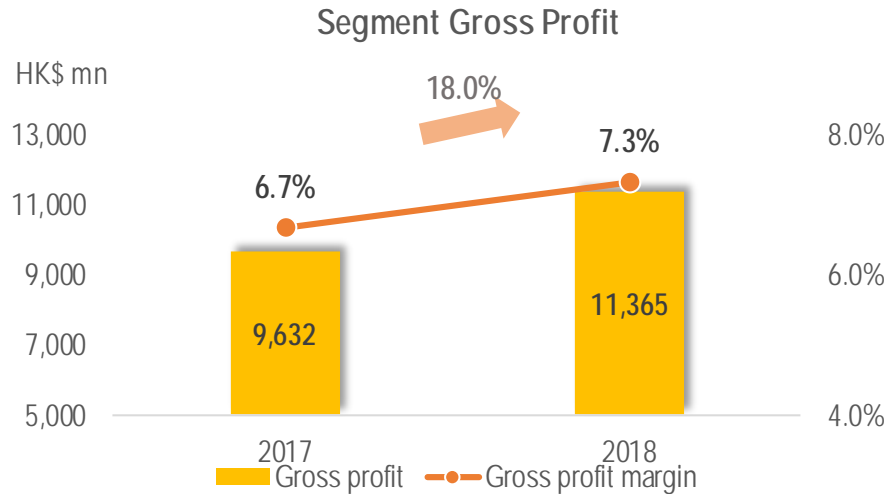


Strengthened Distribution Network Coverage

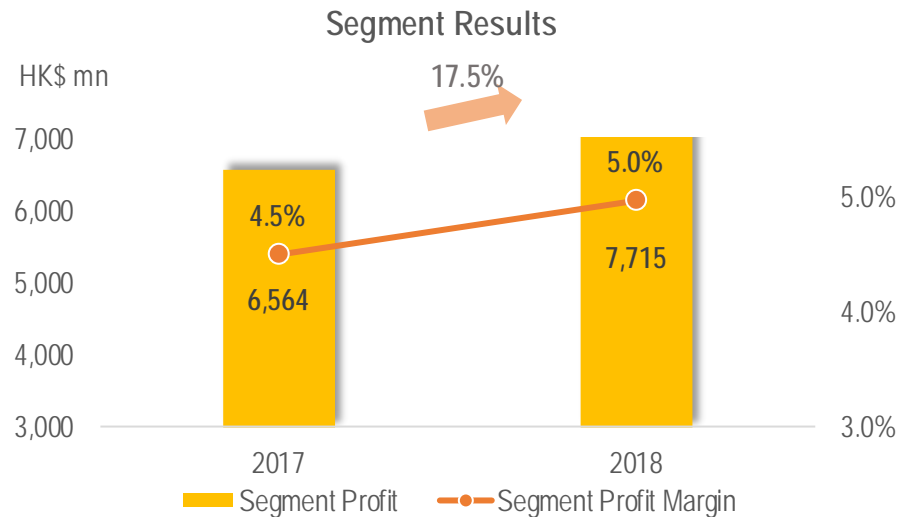
- In 2018, expedited distribution network in western provinces (adding coverage of Gansu), which not only made sustained efforts to expand the distribution network in terms of width and depth, but also penetrated markets at community-level to consolidate and promote competitive edge in regional markets. Distribution network covered 28 provinces by end of 2018
- Segment revenue in 2018 was HK\$155.3bn, or 7.4% increase YoY
- At of Dec 31 2018, serving over 90,000 downstream customers, including 6,581 Class II&III hospitals, and 51,505 primary medical institutions, customer coverage further improved
- Continued to enhance efficiency by the establishment of an integrated and modernized intelligent logistics system; operating 170 logistics centers at the end of 2018



Increased Profitability by Optimizing Business Structure

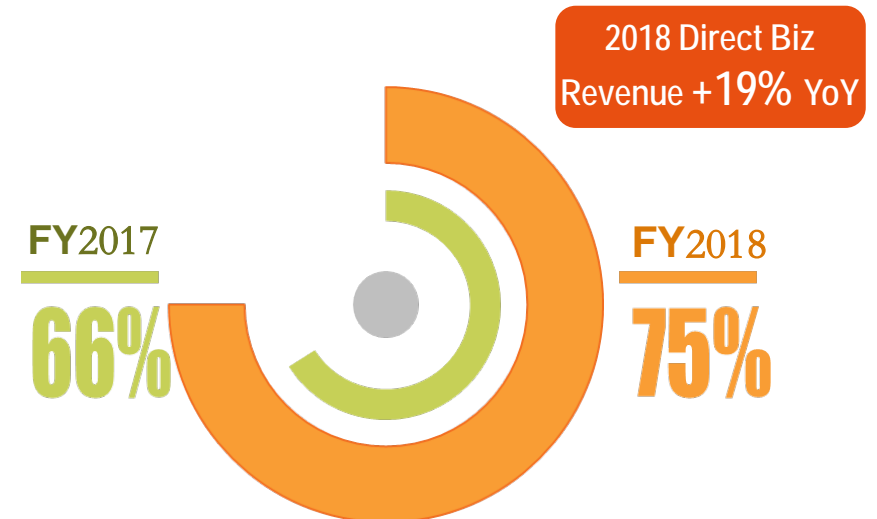


- Business structure further optimized by leveraging the opportunity of the Two-Invoice System, revenue of direct business increased to 75% of total distribution business
- GP Margin was 7.3% in 2018, lifted by 0.6ppt YoY; Segment Profit was HK\$7.7bn, up by 17.5% YoY
- Explored and initiated various innovative business models and value-added services to promote the integrated operation in distribution business



Segment Results = Gross Profit – Selling Expenses

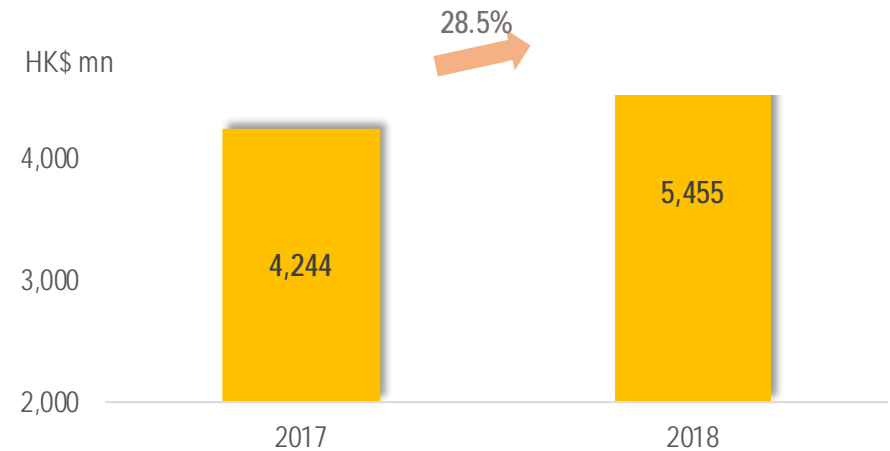
Proportion of Direct Biz Revenue



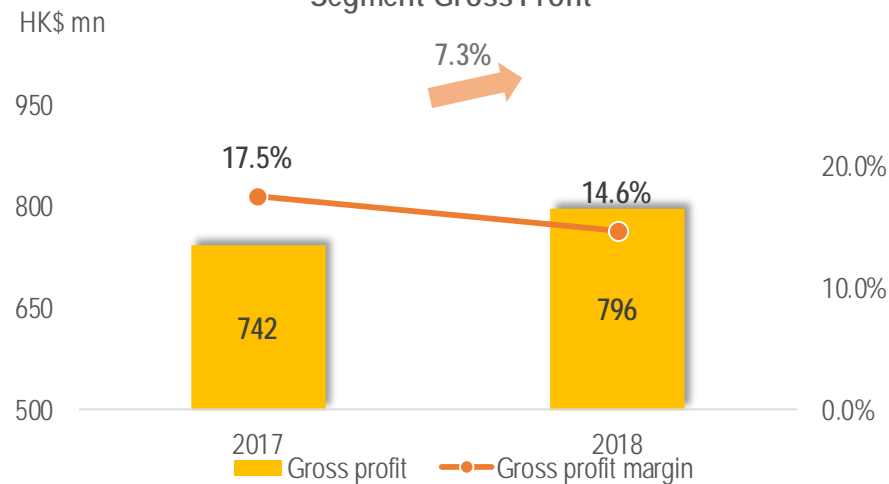
Retail Business

- Retail business in 2018:
 - Segment revenue was HK\$5.5 bn, or 28.5% YoY growth, mainly due to rapid growth of DTP business
 - GP Margin was 14.6%, 2.9ppt lower YoY, mainly due to the relatively lower GP Margin of fast growing DTP business
- As of Dec 31 2018, operated 853 retail pharmacies, of which 140 are DTP pharmacies covering 66 cities nationwide

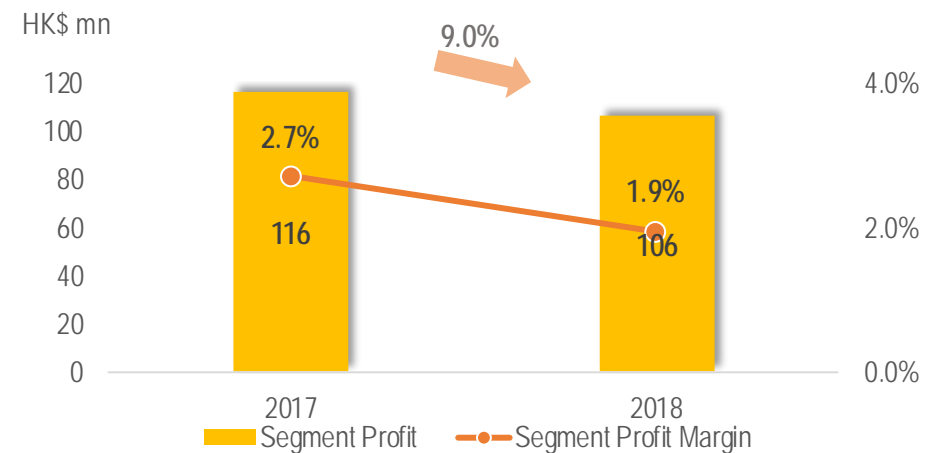
Segment Revenue



Segment Gross Profit



Segment Results

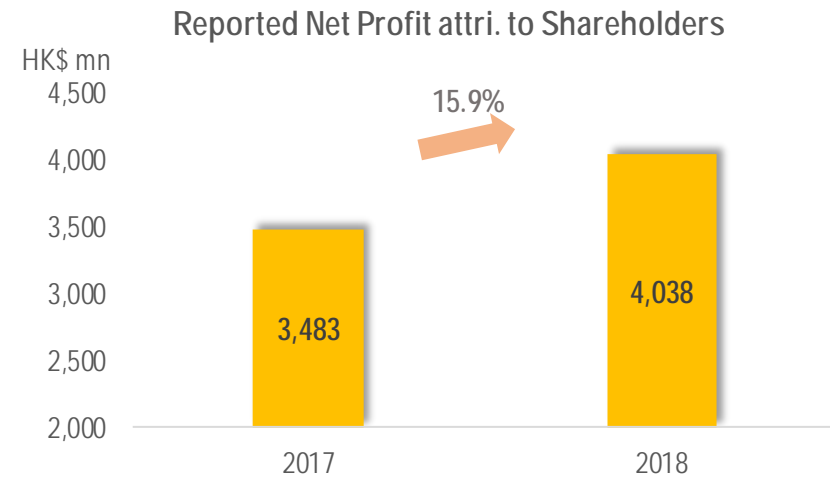
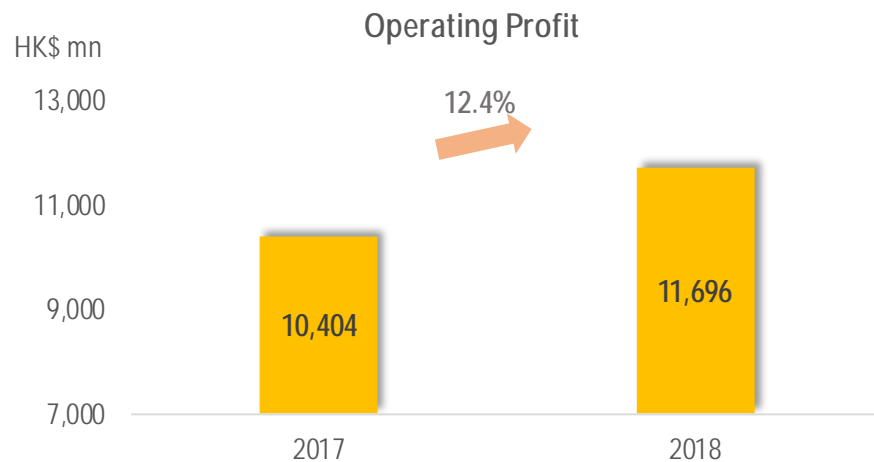
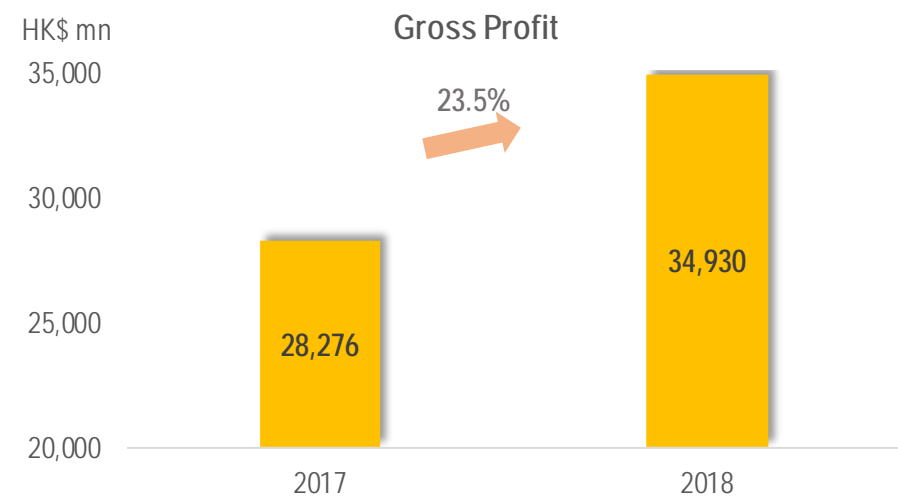
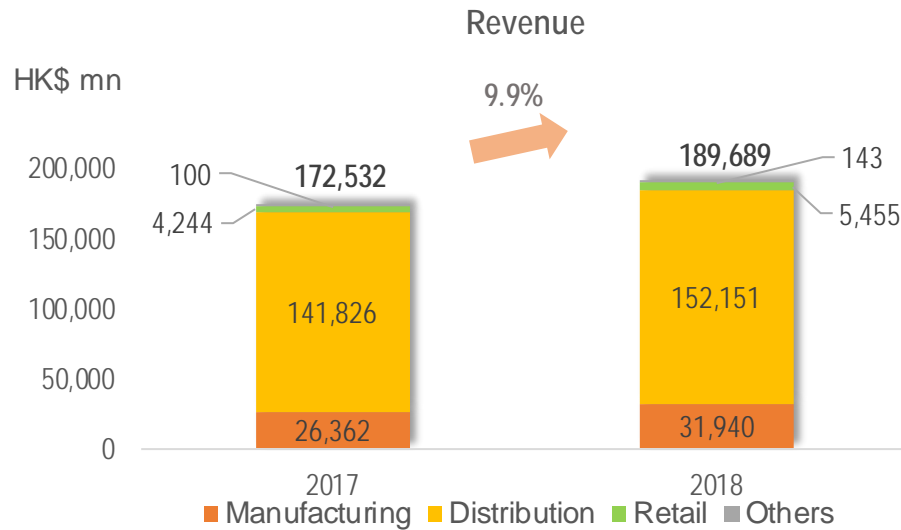


Segment Results = Gross Profit - Selling Expenses

- 1 2018 Highlights
- 2 Business Review
- 3 **Financial Review**
- 4 Appendix



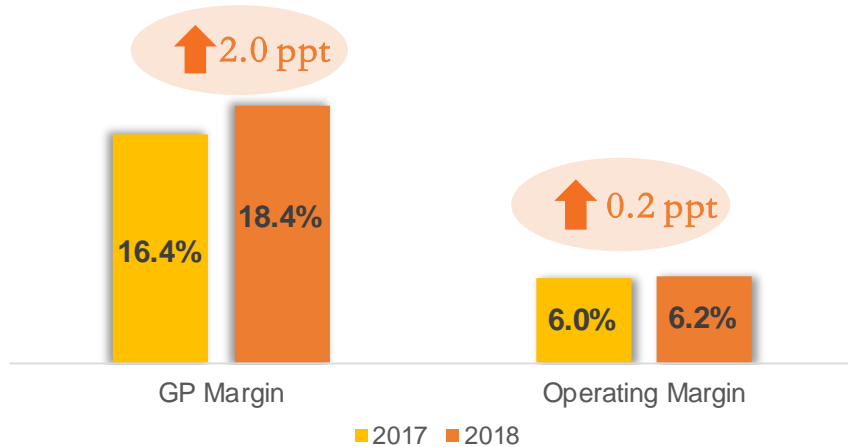
Solid Growth of Key Financials



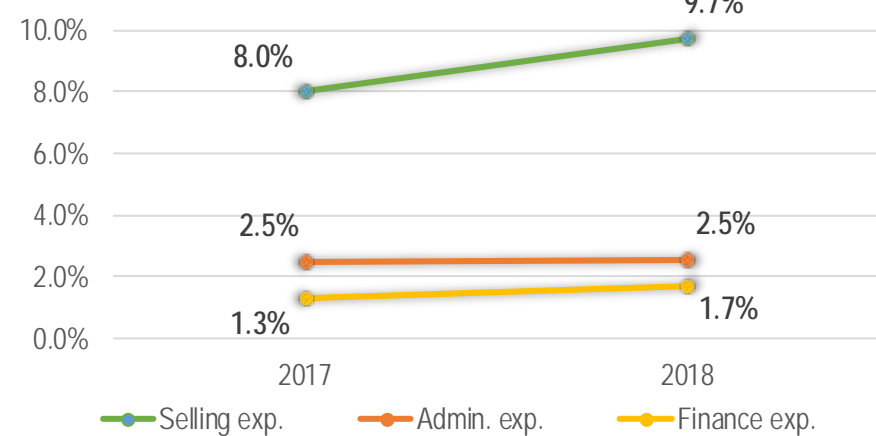
Operating profit = Pre-tax profit + finance expense – interest income – FX gain (loss) – other non-operating items

Improved Operating Efficiency & Operating Cash Flow

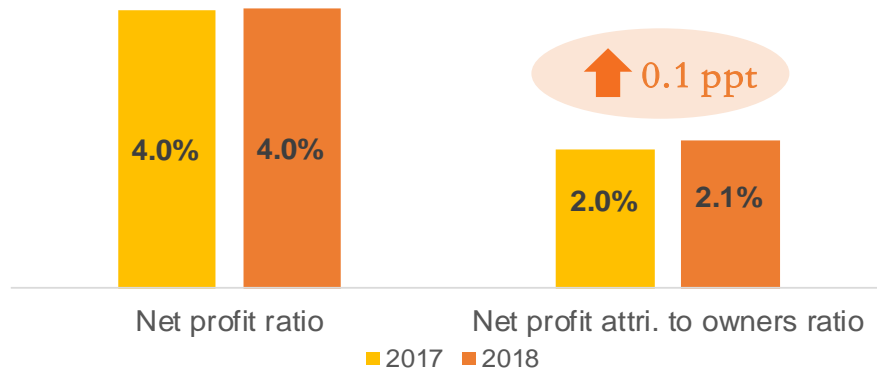
GP Margin & Operating Margin



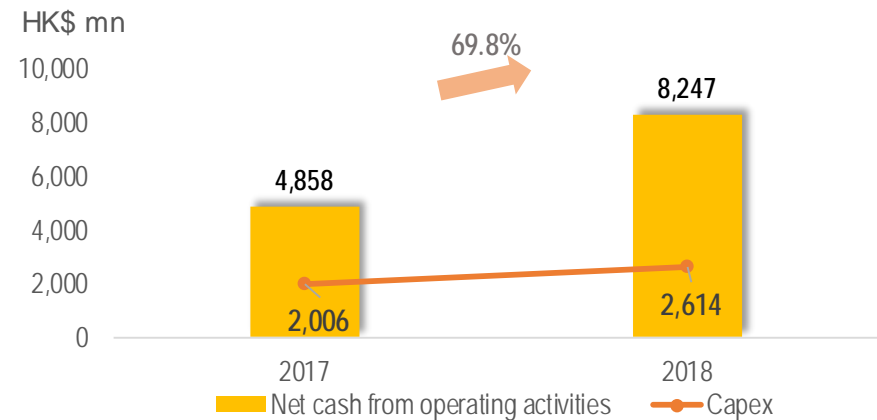
Operating Expense Ratios



Net Profit Ratio

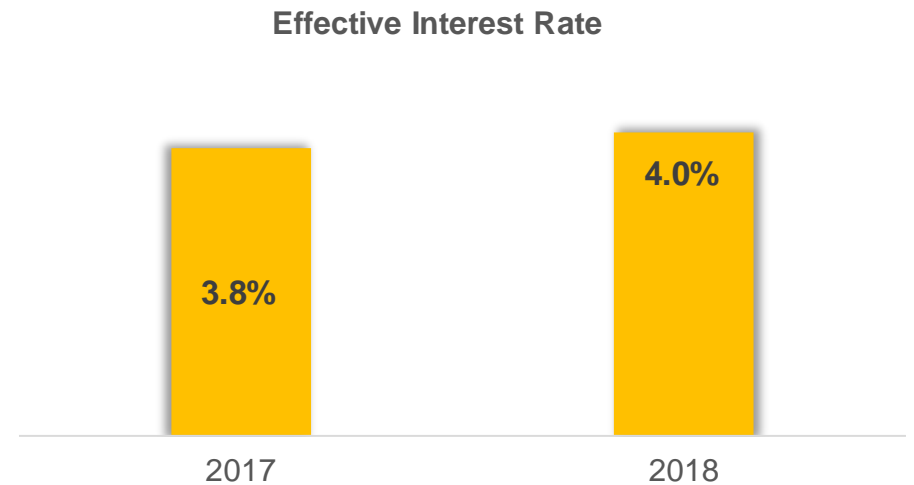
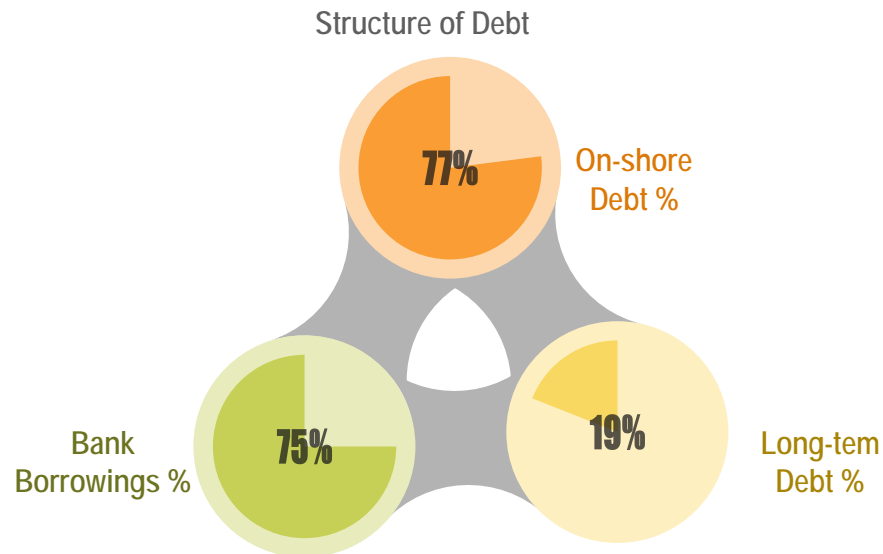
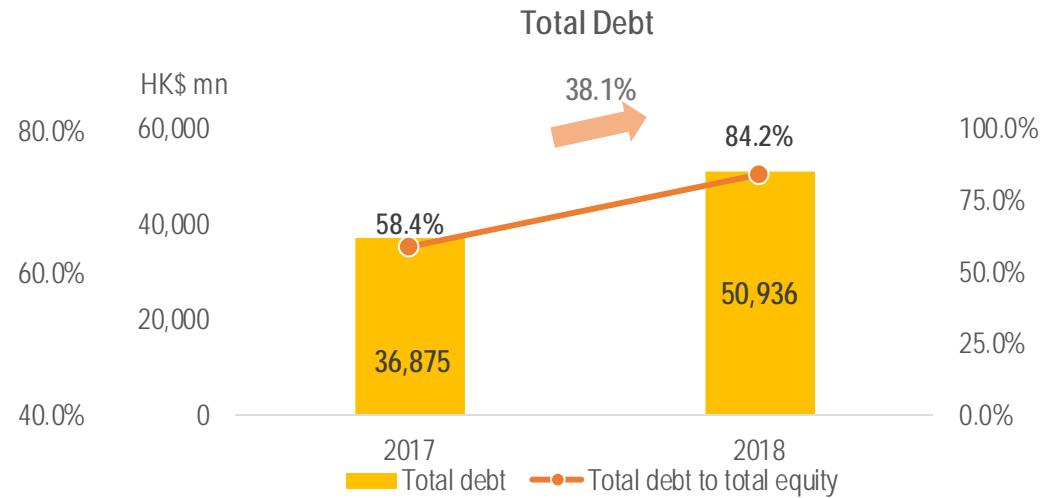
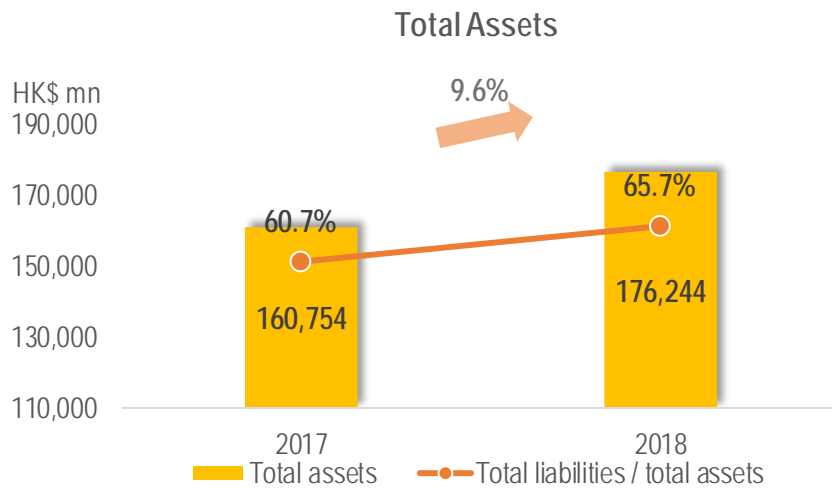


Net Cash from Operating Activities

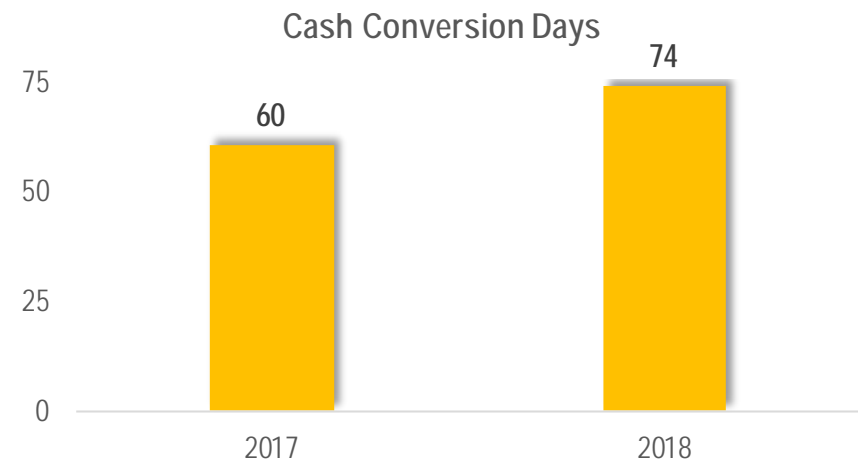
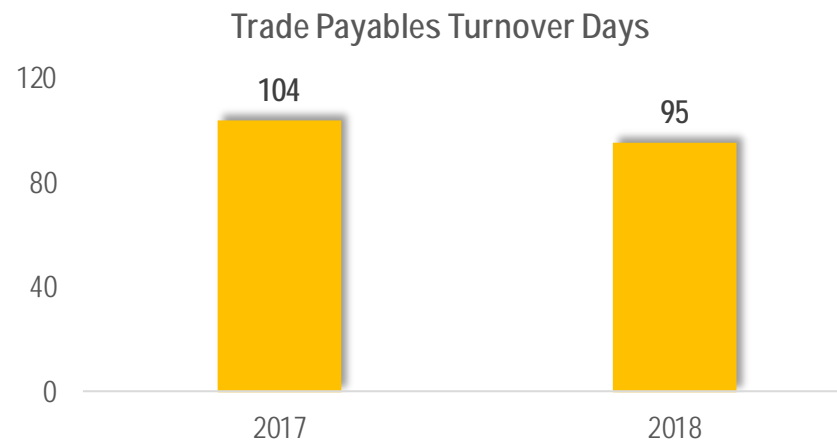
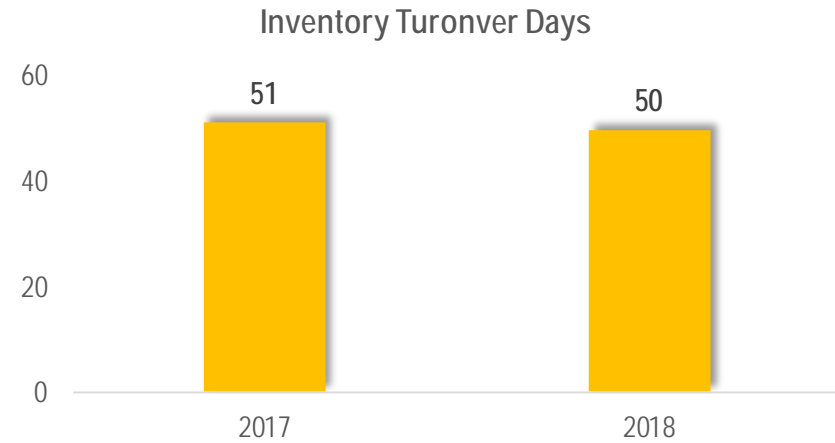
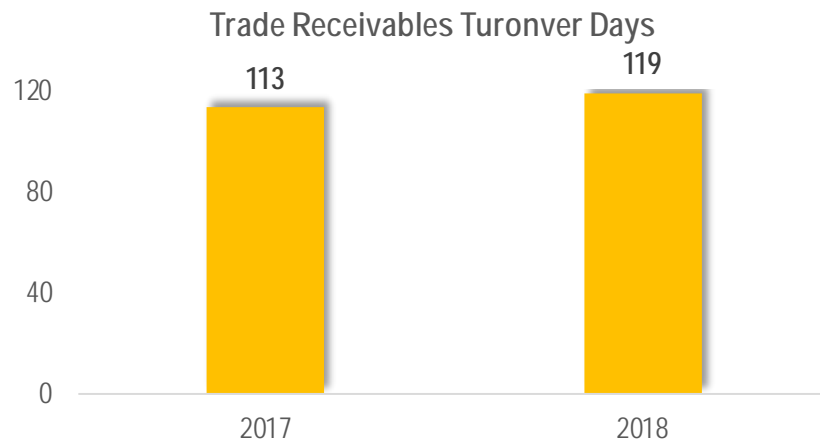


Operating Profit = Profit before Tax + Finance Expense - Interest Income - Foreign exchange loss - other gain/loss from non-operating activities

Reasonable Debt Structure with Steady Effective Interest Rate

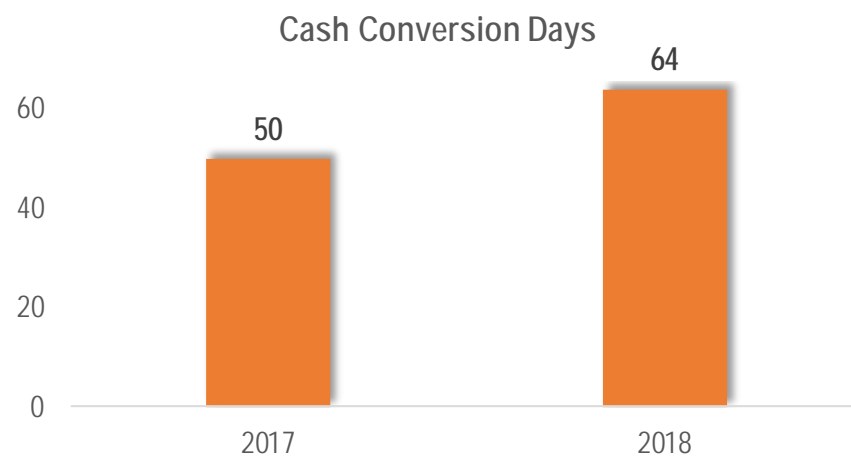
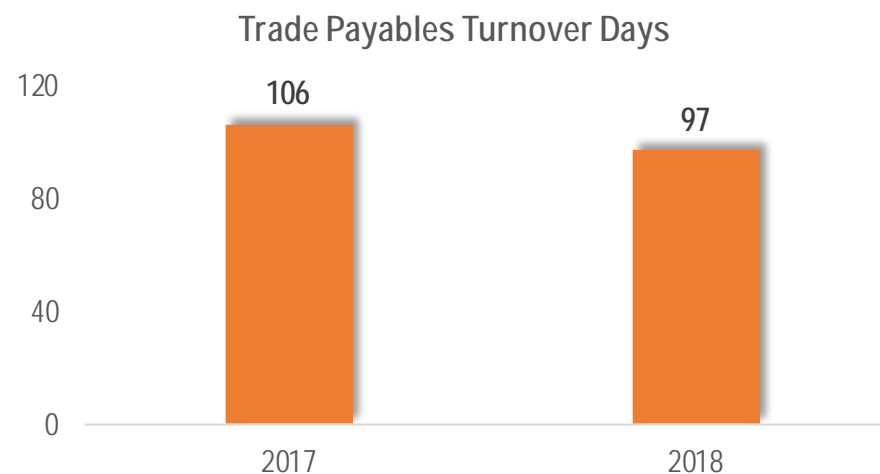
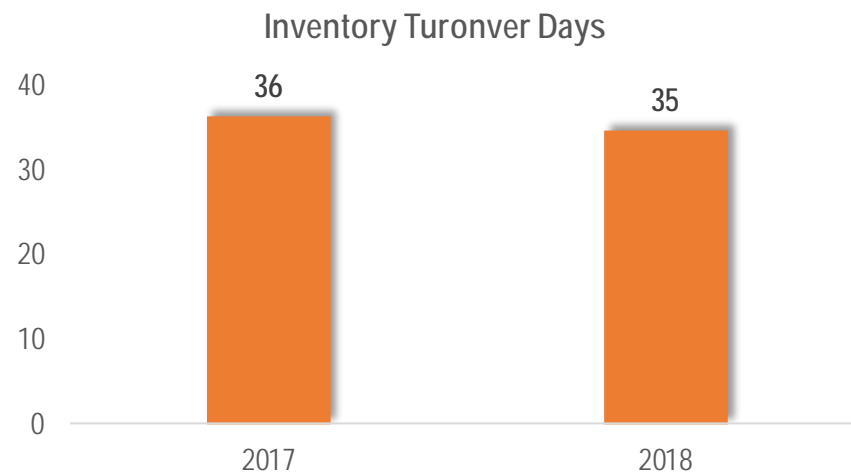
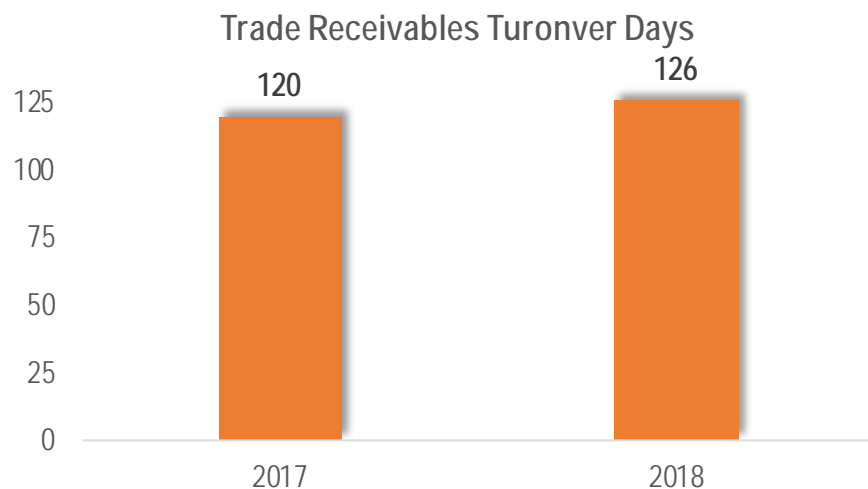


Working Capital Turnover - Overall



Accounts receivable and payable include bills receivable and payable. 2018 trade receivables adjusted for comparability.

Working Capital Turnover - Distribution Business



Accounts receivable and payable include bills receivable and payable. 2018 trade receivables adjusted for comparability.



Q&A

-
- 1 1H2018 Highlights
 - 2 Business Review
 - 3 Financial Review
 - 4 Appendix



Appendix 1: Income Statement

HK\$ mn	2017	2018	YoY
Revenue	172,532	189,689	9.9%
Gross Profit	28,276	34,930	23.5%
Gross Profit Margin	16.4%	18.4%	
Operating Profit	10,404	11,696	12.4%
Operating Profit Margin	6.0%	6.2%	
Net Profit for the Company	6,867	7,633	11.2%
Net Profit Attributable to Shareholders	3,483	4,038	15.9%
Net Profit Margin (Attributable to Shareholders)	2.0%	2.1%	
EPS (HK\$)	0.55	0.64	

Appendix 2: Balance Sheet

HK\$ mn	31/12/2017	31/12/2018
Total assets	160,754	176,244
PPE	14,738	14,652
Goodwill	20,545	19,805
Trade and receivables	67,128	54,847
Inventories	21,406	21,528
Bank and cash	14,162	16,633
Total liabilities	97,617	115,715
Trade and other payables	56,496	56,198
Bank borrowings	32,210	40,665
Bonds payable	4,665	6,848
Total equity	63,137	60,529
Shareholders' equity	41,870	39,373
Current ratio	1.2	1.2
Total debt	36,875	50,936
Net debt	22,713	34,303
Net debt / total equity	0.36	0.57

Appendix 3: 2018 Performance by Segment

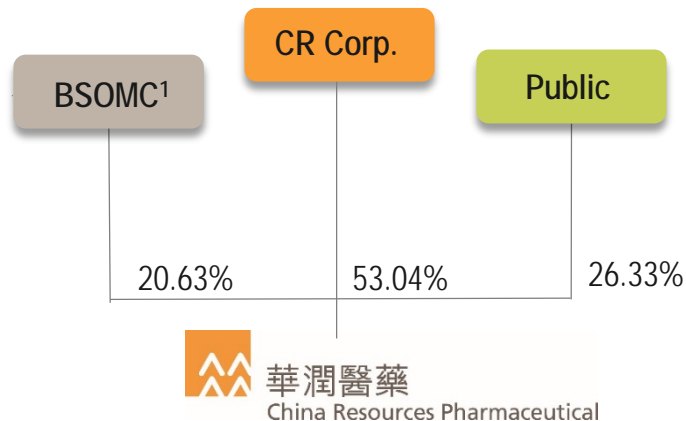
HK\$ mn	Manufacturing	Distribution	Retail	Others	Total
External Revenue	31,940	152,151	5,455	143	189,689
Segment results	8,690	7,715	106	78	16,589
Other income					1,855
Other gains & losses					34
Admin expenses					(4,793)
Other expenses					(1,352)
Share of results of associates and jointly controlled entities					137
Finance costs					(3,197)
Profit before tax					9,243

Appendix 4: Corporate Overview

Principal Business

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

Shareholding Structure



Share Information

- Listed on the SEHK on 28 Oct 2016 (stock code: 3320.HK)
- Issued shares: 6,285 mn ²
- Market cap: HK\$71.4 bn ²
- Inclusion in key capital market indices:
 - **FTSE Index Series**
 - Global Equity Index (Large Cap)
 - FTSE All-World Index
 - FTSE All Cap (LMS) Index
 - **Hang Seng Index Series**
 - Composite Large Cap Index (eligible for trading under SHA/SZ–HK Stock Connect)
 - Mainland Healthcare Index
 - Healthcare Index
 - **CR Pharm and two of its A-share listed subsidiaries (CR Sanjiu/ Dong-E-E-Jiao) have been included in MSCI China Index**
 - **Hang Seng Stock Connect Hong Kong Index Series**
 - **Hang Seng Corporate Sustainability Benchmark Index**

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

² By the close of business on 19 Mar 2019

Appendix 5: Business Overview



Manufacturing

Revenue: HK\$35.0 bn
Gross Profit: HK\$22.7 bn

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



- Manufacture more than 430 pharmaceutical products

Distribution

Revenue: HK\$155.3 bn
Gross Profit: HK\$11.4 bn

- The 3rd largest pharmaceutical distributor in China
- 189 subsidiaries covering 28 provinces
- Distribute more than 170,000 types of products, comprising ~50,000 types of prescription drugs and around 20,000 OTC pharmaceutical products
- Source pharmaceutical products from over 10,000 international and domestic manufactures

Retail

Revenue: HK\$5.5 bn
Gross Profit: HK\$0.8 bn

- Operate 853 retail pharmacies
- Own premium brand names

CR Care 华润堂



Yibaoquanxin 医保全新



Li'an chain 礼安连锁



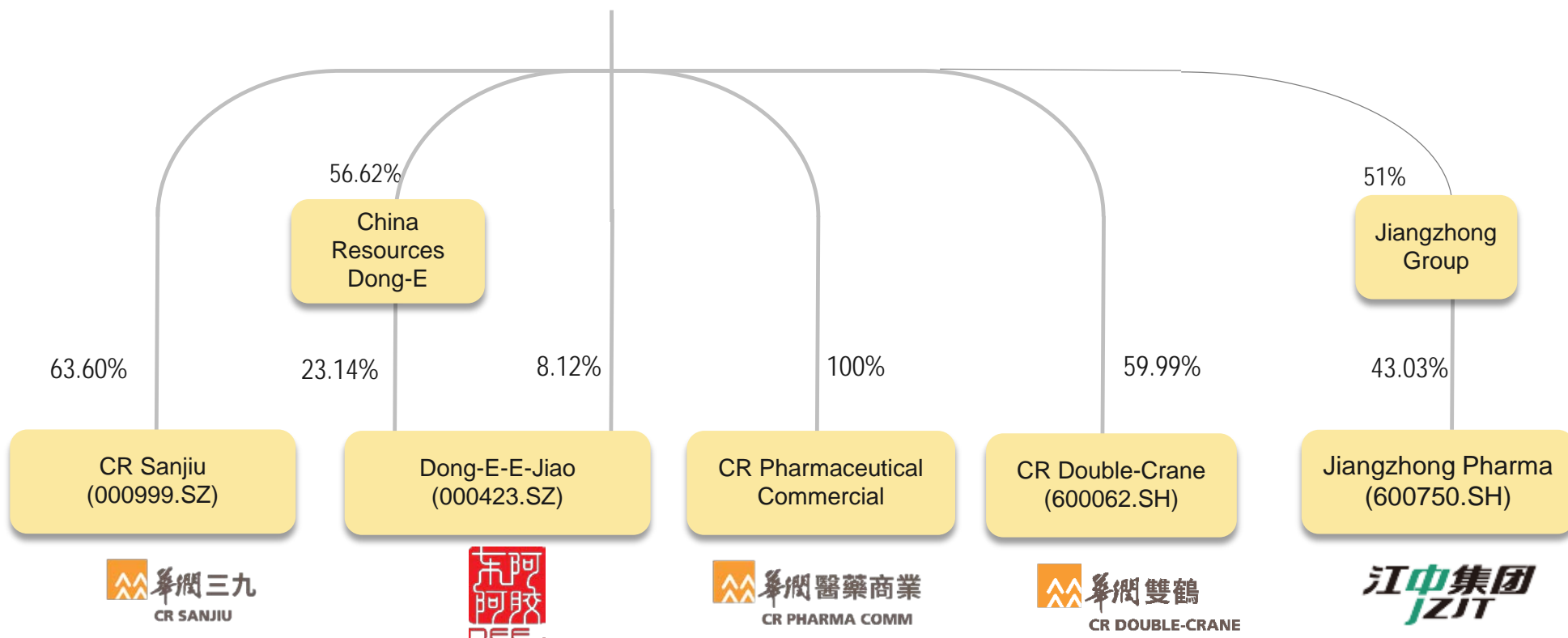
Tung Tak Tong 同德堂



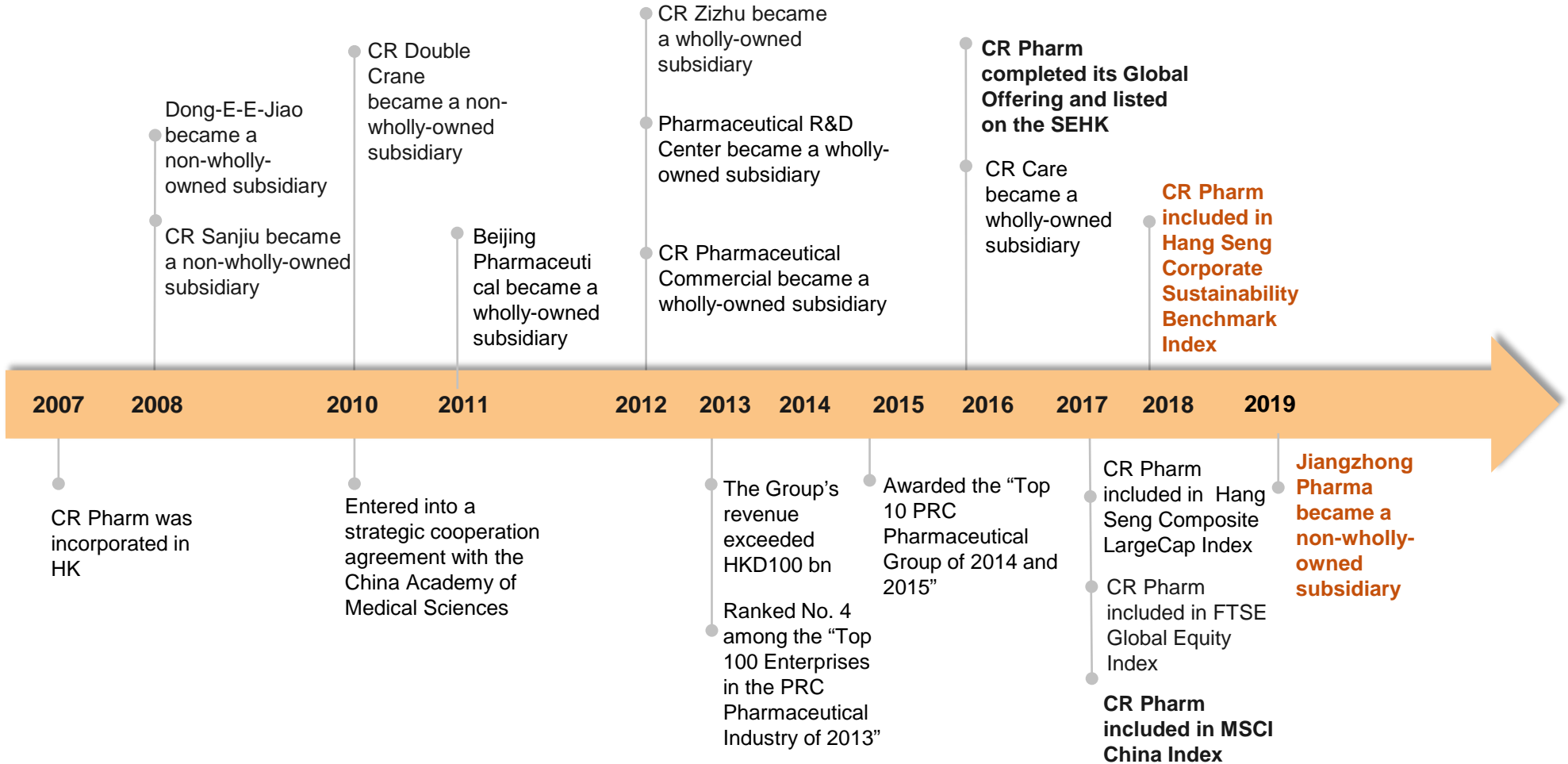
Appendix 6: Corporate Structure



華潤醫藥集團有限公司 China Resources Pharmaceutical Group Limited



Appendix 7: Development Milestones



Appendix 8: Chinese Medicine & Nutritional Products

Major Product	Therapeutic Area	Major Product	Therapeutic Area
 <p>E-Jiao block (阿胶块) and compound E-Jiao syrup</p>	Blood tonic	 <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 over 600 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>Xuesaitong soft capsules (血塞通软胶囊)</p>	Cardiovascular system
 <p>Digestive support tablets</p>	Alimentary tract and metabolism	 <p>Taohuaji (桃花姬) and Zhen Yan E-Jiao Cake (真颜阿胶糕) derived from our E-Jiao Chinese medicine product series</p>	Nutritional product
 <p>Compound <i>Sarcandra glabra</i> lozenge</p>	Oropharynx	 <p>Nutritional supplement and dietary supplement derived from core TCM</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 (Piyanping) (复方醋酸地塞米松乳膏(皮炎平)) product series</p>	Dermatological Products