

The United Laboratories International Holdings Limited

2014 Interim Results Announcement Corporate Presentation

August 2014





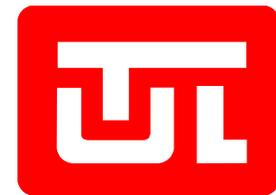
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Q & A



Section1

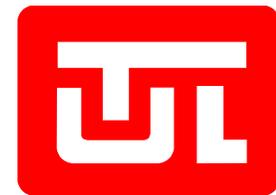
Results Snapshot



2014 Interim Results Snapshot



- ◆ Turnover: maintained stable at HK\$3,701.2 million
- ◆ Gross profit: +34.4% to HK\$1,541.0 million
- ◆ Profit attributable to equity holders: +1,551.3% to HK\$709.9 million; Adjusted core business profit: +179.8% to HK\$359.2 million
- ◆ Price of 6-APA and Bulk Amoxicillin increased 13.4% and 6.4% respectively
- ◆ Segment margin improved as compared with 1H 2013
 - ◆ Intermediate products: from 0.04% to 12.1%
 - ◆ Bulk medicine: from 3.7% to 7.9%
 - ◆ Finished products: from 18.6% to 20.8%
- ◆ Insulin products sales : +60% to HK\$71.4million
- ◆ Overseas sales: +3.2% to HK\$1,380 million, accounting for 37.3% of total sales
- ◆ United Laboratories (Chengdu) and the Pengzhou Land Bureau executed the contracts in relation to the change of land use in Mar 2014
 - ◆ Got the approval of change of land use from industrial use to commercial and service industry facility and residential use
 - ◆ Received a financial subsidy of approx. HK\$392.6 million granted by the government
 - ◆ The market value of the land after change is approx.HK\$2,300 million
- ◆ Top 10 Enterprises in API Import & Export in 2013 in China
- ◆ The “United Laboratories” trademark held by Zhuhai United Laboratories Co. Ltd. was recognized as a Chinese Well-known Trademark by the State Administration for Industry and Commerce



Section 2

Financial Highlights

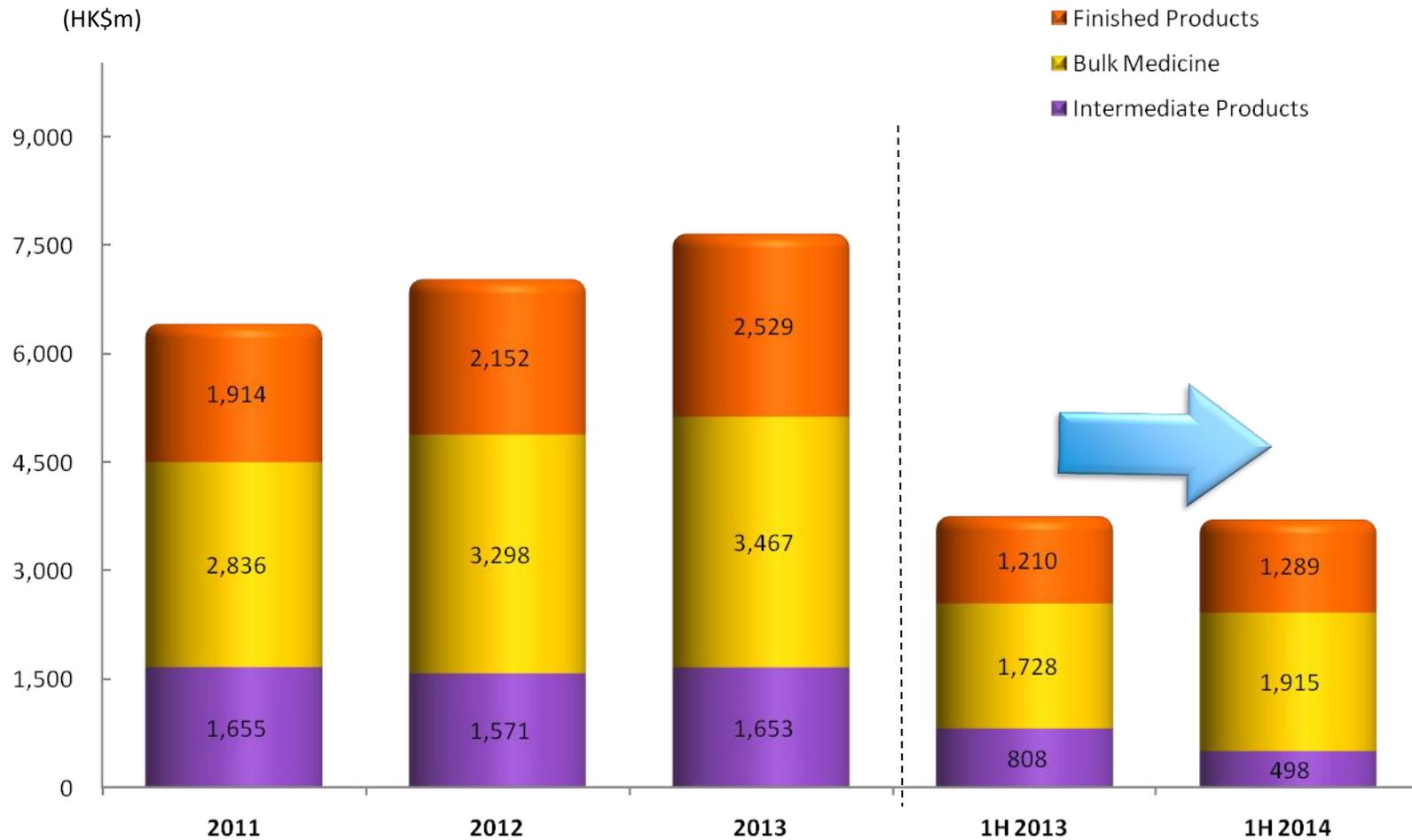


Financial Overview



HK\$ million	1H 2014	1H 2013	yoy change
Revenue	3,701.2	3,745.9	-1.2%
Gross Profit	1,541.0	1,146.8	+34.4%
EBITDA	1,283.1	514.2	+149.5%
Profit Attributable to Equity Holders	709.9	43.0	+1,551.3%
❖ Staff redundancy and removal costs upon cessation of production and temporary production suspension costs in Chengdu	---	46.1	N/A
❖ Impairment loss recognised in respect of property, plant and equipment	28.7	93.8	-69.4%
❖ Subsidy income	-392.4	---	N/A
❖ Gain on fair value change of derivative components of convertible bonds	13.0	-54.5	-123.9%
Adjusted core business profit	<u>359.2</u>	<u>128.4</u>	<u>+179.8%</u>
EPS (HK cents)			
- Basic	43.64	2.64	<u>+1,553.0%</u>
- Diluted	43.64	2.62	<u>+1,565.6%</u>

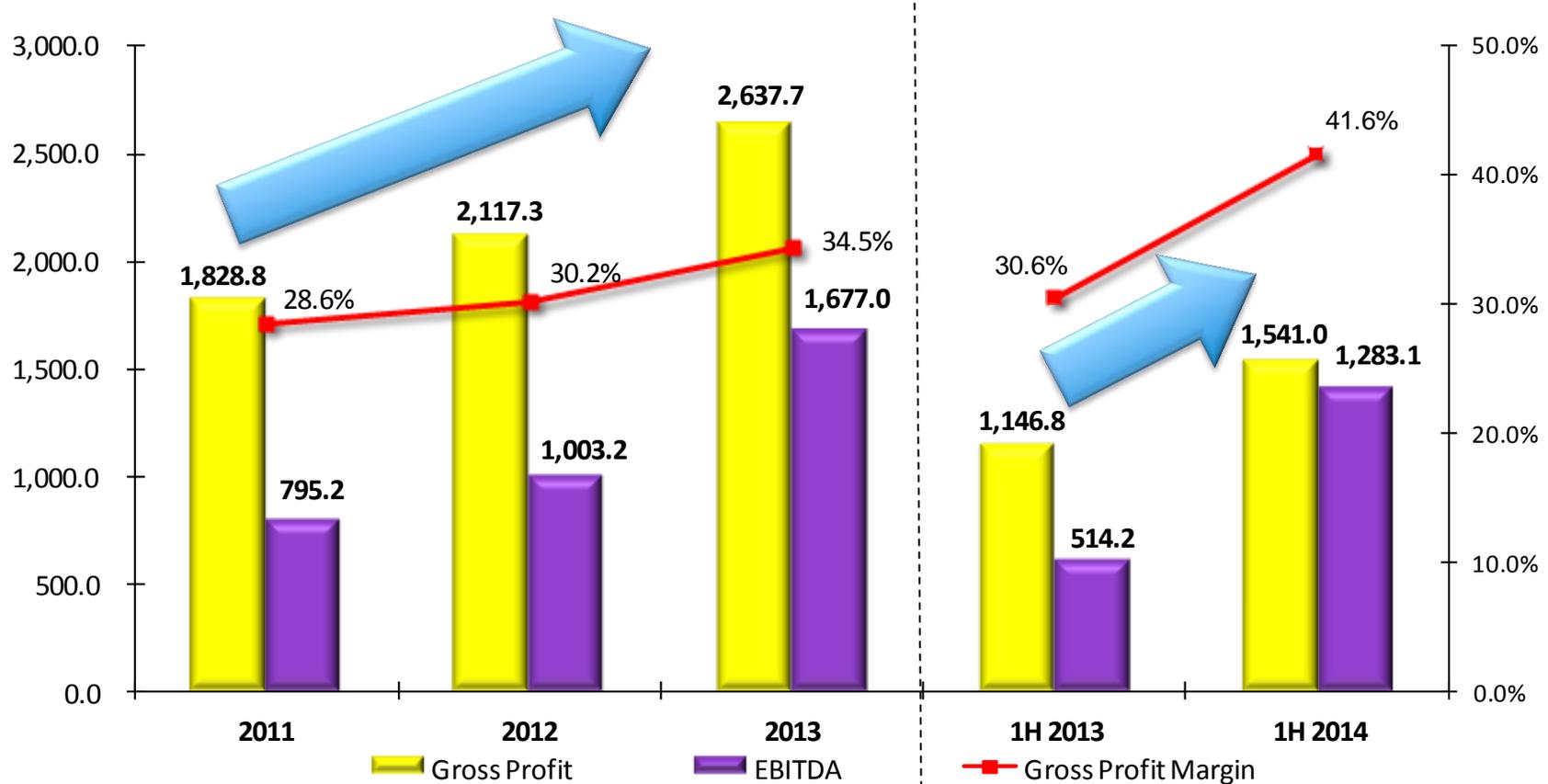
Revenue



Gross Profit, EBITDA & Gross Profit Margin



(HK\$m)

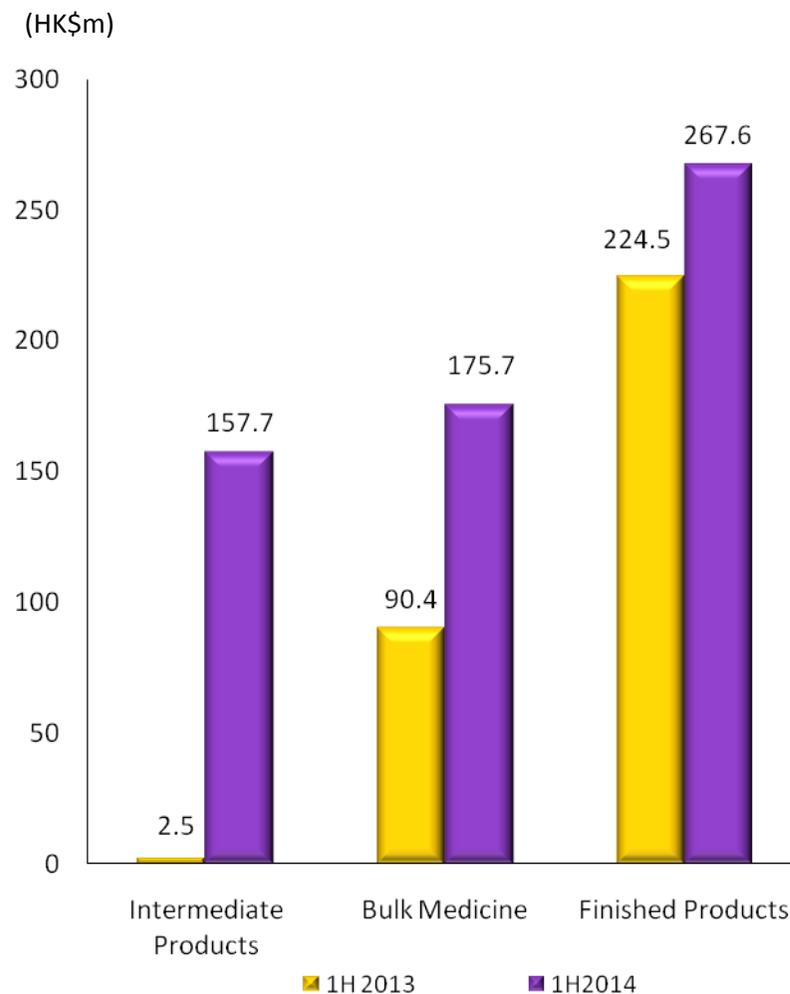


Business Segment Results & Margins



	Segment Results by Product	
	1H 2014	1H 2013
Intermediate Products	26.3%	0.2%
Bulk Medicine	29.2%	23.4%
Finished Products	44.5%	76.4%

	Segment Margins	
	1H 2014	1H 2013
Intermediate Products	12.1%	0.04%
Bulk Medicine	7.9%	3.7%
Finished Products	20.8%	18.6%



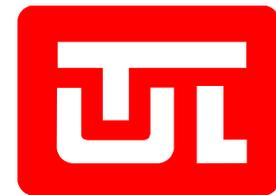
Other Key Financial Indicators



	As at 30 Jun2014	As at 31 Dec2013
Trade and bills receivable turnover (days)	100.0	131.0
Trade and bills payable turnover (days)	169.3	141.2
Stock turnover (days)	142.3	92.6
Current ratio	0.72	0.66
Net Gearing ratio ⁽¹⁾	78.7%	88.6%
Cash and cash equivalents (HK\$ '000)	1,188,639	1,080,713
Total assets (HK\$ '000)	19,417,259	19,600,216

(1) Calculated as total borrowings, obligations under finance leases and convertible bonds less cash and bank balances and pledged bank deposits to total equity

	1H 2014	1H 2013
Net cash from operating activities (HK\$ million)	967.8	564.2



Section 3 Business Review



Plant Locations



Plant Location	Key Product(s)
Hong Kong	Finished products
Zhongshan	Finished products
Zhuhai	Bulk medicines, biological and finished products
Inner Mongolia	Intermediate products, bulk medicines and finished products
Kaiping	Empty capsule casings



Plant Capacity in 1H 2014



	1H Designed Capacity	Utilization Rate	External Sales
<i>Intermediate products (tonnes)</i>			
• 6-APA	10,500	73%	32%
<i>Bulk medicine (tonnes)</i>			
• Semi-synthetic penicillins type	10,000	63%	90%
• Cephalosporins type	600	57%	90%
• β - lactamase inhibitor antibiotics type	400	100%	90%
<i>Finished products (mil)</i>			
• Amoxicillin & Ampicillin capsules	770	82%	100%
• Amoxicillin granules	80.6	69%	100%
• β - lactamase inhibitor antibiotics (bottles)	9.75	70%	100%

Sales Volume



Types	Products	Sales volume in 1H 2014	Sales volume in 1H 2013	yoy change
Intermediate products (tonnes)	6-APA	2,453.0	3,964.0	-38.1%
Bulk medicine (tonnes)	Semi-synthetic penicillins type	5,652.0	5,988.4	-5.6%
	Cephalosporins type	308.0	152.5	+102.0%
	β- lactamase inhibitors type	360.0	296.3	+21.5%
Finished products (million packs)	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) (bottles)	7.0	5.9	+18.6%
	Amoxicillin capsules (250/500mg)#	22.8	20.9	+9.1%
	Ampicillin capsules (250/500mg)	10.3	11.0	-6.4%
	Cefuroxime axetil tablet#	6.3	6.3	-
	Eye drops#	5.0	3.8	+31.6%
	Ibuprofen capsules	2.7	2.7	-
	Adefovir capsules	0.8	0.7	+14.3%
	Imipenem and cilasttin sodium for injection	0.6	0.5	+20.0%
	Insulin	1.5	1.0	+50.0%
VC effervescent tablets	0.8	0.5	+60.0%	

#Listed in Essential Drugs List. Eyes drops partially listed.



Average External Selling Price

Average External Selling Price#	1H 2014	1H 2013	y-o-y change
Intermediate products (RMB/kg)			
6-APA	159.7	140.8	+13.4%
Bulk medicine (RMB/kg)			
Semi-synthetic penicillins type	173.4	162.9	+6.4%
Cephalosporins type	641.3	691.8	-7.3%
β- lactamase inhibitors type	732.6	796.5	-8.0%

#Selling price not including VAT and export tax

Individual pricing approved by National Development and Reform Commission (NDRC)	Individual pricing	Government ceiling price	Price premium
Finished products (RMB)			
Amoxicillin Granules 125mg x 12 packs	8.4	4.8	+75%
Amoxicillin Capsules 250mg x24 tablets	13.7	7.4	+85%
Amoxicillin Capsules 500mg x24 tablets	23.3	12.6	+85%
Ampicillin Capsules 500mg x24 tablets	23.8	-	-
Ampicillin Capsules 250mg x24 tablets	14.0	5.7	+146%

Fully Vertical Integration



Intermediate products, accounted for 13.5% of total external sales in 1H 2014

6-APA (>60%#)

13.5%

T-Octylammonium Clavulanate

Nil

Bulk medicine, accounted for 51.7% of total external sales in 1H 2014

Semi-synthetic penicillins type(50-60%#)



33.5%

Cephalosporins type



6.7%



β - lactamase inhibitors type

11.5%

Finished products , accounted for 34.8% of total external sales in 1H 2014

Semi-synthetic penicillins antibiotics

11.0%



Cephalosporins antibiotics

5.0%



β -lactamase inhibitors antibiotics

9.5%



Other (including capsule casings)

9.3%



#Chinese market share

New Product Development



- ◆ 43 new products were under development, in which 7 in the process of patent registration and 13 patents approved by the government by the end of 1H2014

- ◆ 25 new products at the stage of pre-clinical-trials
- ◆ 6 new products at the stage of clinical trials
- ◆ 12 new products pending for production approval
- ◆ Series of product include those anti-diabetes, anti-cancer, epilepsy and anti-hepatitis B, as well as antibiotics series

- ◆ To leverage on R&D strengths to develop products with high margins and great demand

Chemical pharmaceutical R&D Department

- approx. 110 R&D personnel
- 30 types of chemical drugs at different R&D stages

Biological R&D Department

- approx. 90 R&D personnel
- 13 types of biological drugs at different R&D stages

Clinical Department

- approx. 20 clinical inspectors
- responsible for the Company's clinical trials of new products

External Cooperation

- working with local and foreign well-known universities, research institutes and laboratories

New Product Development (Cont'd)



◆ Insulin products will continue to be the Group's key product

- ◆ Insulin products received relatively high international recognition in terms of quality and production technology
- ◆ Included in the “National Essential Drug List” 《国家基本药物目录》 (2012 version) in May 2013
- ◆ Obtained orders from public and private hospitals, clinics and pharmacies, outstanding sales performance from Shandong, Henan, Liaoning, Hubei and Fujian
- ◆ Contributing approx. HK\$71.4million to the Group’s revenue



◆ The first pharmaceutical company in the PRC permitted to produce Memantine Hydrochloride series products

- ◆ A new drug for the treatment of Alzheimer’s disease
- ◆ The grant of approval for drug registration by China FDA in Jul 2013 with respect to the bulk medicine, oral solutions and tablet of Memantine hydrochloride
- ◆ Sales in 13 provinces or municipals, won biddings in Shandong, Chongqing and Hubei
- ◆ Memantine Hydrochloride extended-release capsule is at the stage of pre-clinical-trials

◆ Biapenem for injection obtained drug registration certificate issued by China FDA in Jun 2014

- ◆ Biapenem is a new generation of carbapenem broad-spectrum antibiotics
- ◆ TUL became one of the top five manufacturers of Biapenem in domestic market





New Products	R & D Progress	Main curative effects
Insulin Glargine Injection 第三代甘精胰岛素注射液（长效）	Pending for the production permit	For treatment of type I & II diabetes
Insulin Aspart Injection 第三代门冬胰岛素注射液（超速效）	Clinical trials in progress	For treatment of type I & II diabetes
Insulin Detemir Injection 第三代地特胰岛素注射液（长效）	Pending for clinical permit	For treatment of type I & II diabetes
Tenofovir Disoproxil Fumarate Tablets 富马酸替诺福韦二吡呋酯片	Approval for clinical permit	Anti-AIDS & Anti-hepatitis B
Levetiracetam Tablets 左乙拉西坦片	Pending for the production permit	Antiepileptic
Memantine Hydrochloride extended-release capsule 盐酸美金刚缓释胶囊	Pre-clinical-trials	For treatment of Alzheimer's disease

Extensive Sales and Distribution Network



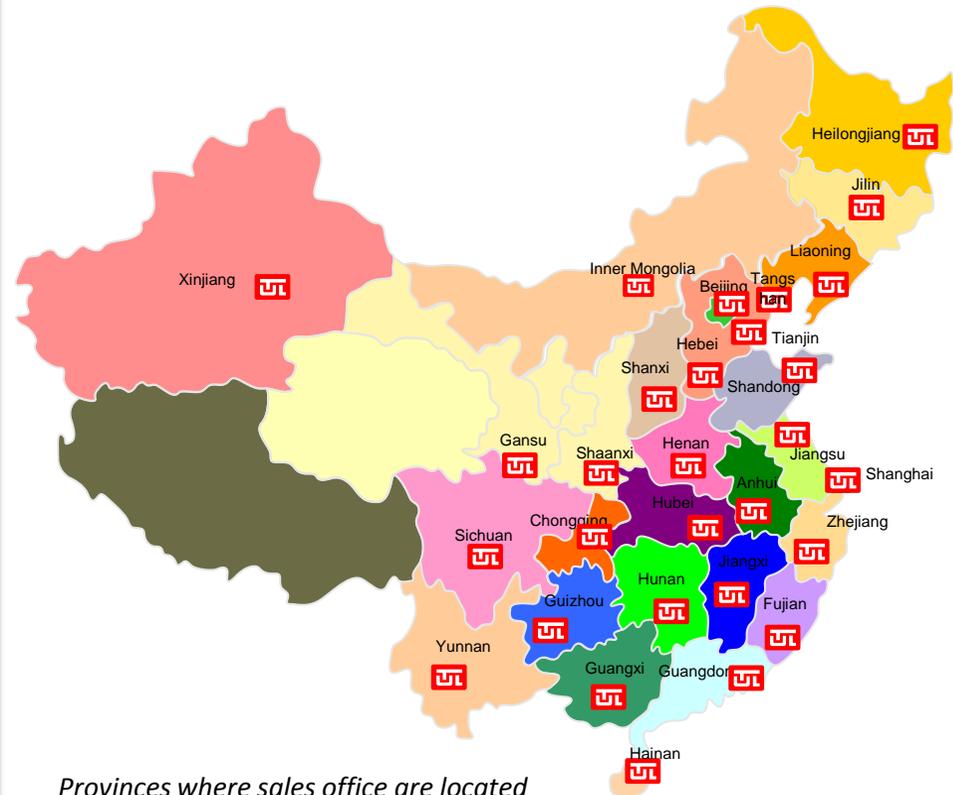
Further penetrated into domestic rural market and expanded the sales networks in overseas markets

Domestic Market

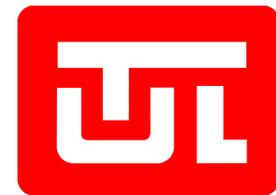
- ◆ Around 3,000 sales staff in 28 sales offices of finished products as at 30 Jun 2014
- ◆ Over 1,000 distributors, 80 of them are top class distributors
- ◆ Further penetrated into the rural market, and the proportion is still on the rise
- ◆ Expand the sales of OTC products, Chinese medical healthcare products in chain store pharmacies

Overseas Markets

- ◆ Accounted for 37.3% of the Group total sales in 1H 2014, 3.2% y-o-y growth
- ◆ Sales of bulk products to Europe, India, Africa, Middle East, South America and other Asian regions
- ◆ 7 European CEP certificates, 12 Bulk Medicines and 1 finished Product received the FDA approval from US, 2 API got Japanese GMP, 2 official approval from Mexico



*Provinces where sales office are located
Note: as of 30 Jun 2014. Separate colours represent the cities or provinces covered by each sales office*



Section 4

Strategies & Outlook





Government continue to devote more resources to support the pharmaceutical industry

Latest National Essential Drugs List announced in May 2013

- ◆ Types of drugs covered increased significantly to 520
- ◆ 317 are chemical/biological drugs, including the insulin and amoxicillin products of the Group



TUL has already gained first-mover advantages by penetrating into rural markets and primary healthcare institutions

The new List will help improve the sales of the relevant products

TUL will take advantage of superior varieties and gradually realize the transformation to high-end finished products

Business Development Strategies



Continue to expand domestic and overseas sales networks and accelerate the penetration of domestic rural markets

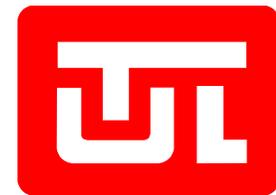
Continue to bring our edges in R&D into play in order to develop high-margin and in-demand products

The insulin series products remain a key product of the Group and accelerate the growth momentum by committing more resources to gain greater market share

Actively participate in bidding and put greater efforts of Memantine Hydrochloride series products to open up the sales in large-scale hospitals

Strengthen the sales of Amoxicillin Capsules and Ampicillin Capsules to further increase market share

Actively enhance R&D and expand the sale of special medicine products, OTC products and Chinese medical healthcare products



Section5

Q & A Session

