

The United Laboratories International Holdings Limited



2015 Interim Results Announcement Corporate Presentation

August 2015



Results Snapshot

Financial Highlights

Business Review

Outlook & Strategies

Q & A



Section 1

Results Snapshot



2015 Interim Results Snapshot



- ◆ Turnover: +9.8% to HK\$4,062.4 million
- ◆ Gross profit: +6.3% to HK\$1,638.1 million
- ◆ Profit attributable to equity holders: -60.5% to HK\$280.3 million; Adjusted core business profit: +4.5% to HK\$374.0 million
- ◆ Segment margin compared with 1H 2014
 - ◆ Intermediate products: from 12.1% to 14.3%
 - ◆ Bulk medicine: from 7.9% to 6.8%
 - ◆ Finished products: from 20.8% to 19.0%
- ◆ The utilization rate of 6-APA highly improved to 85%; intermediate products recorded remarkable 93.4% growth in turnover
- ◆ Insulin series: +70.5% to HK\$121.8 million
- ◆ Finished products including Insulin series achieved encouraging results in recent provincial tenders
- ◆ Overseas sales: +1.8% to HK\$1,405.8 million, accounting for 34.6% of total sales
- ◆ Optimized financial structure through various financing channels
 - ◆ The Group's net gearing ratio reduced from 72.3% as at 31 Dec 2014 to 62.1% as at 30 Jun 2015
 - ◆ Granted with a 3-year loan totally HK\$600 million from China Development Bank Corporation in Jan 2015
 - ◆ Granted with a 4-year loan totally HK\$300 million from HSBC in Jun 2015
 - ◆ Established a bond issue programme of 3 years in an aggregate principal amount of up to HK\$1,000 million in Jan 2015, the total principal bond issued was HK\$109.1 million by 30 Jun 2015
- ◆ The United Laboratories ranked at No. 23 of 2014 Top 100 Chinese Pharmaceutical Companies published by SMERI



Section 2

Financial Highlights

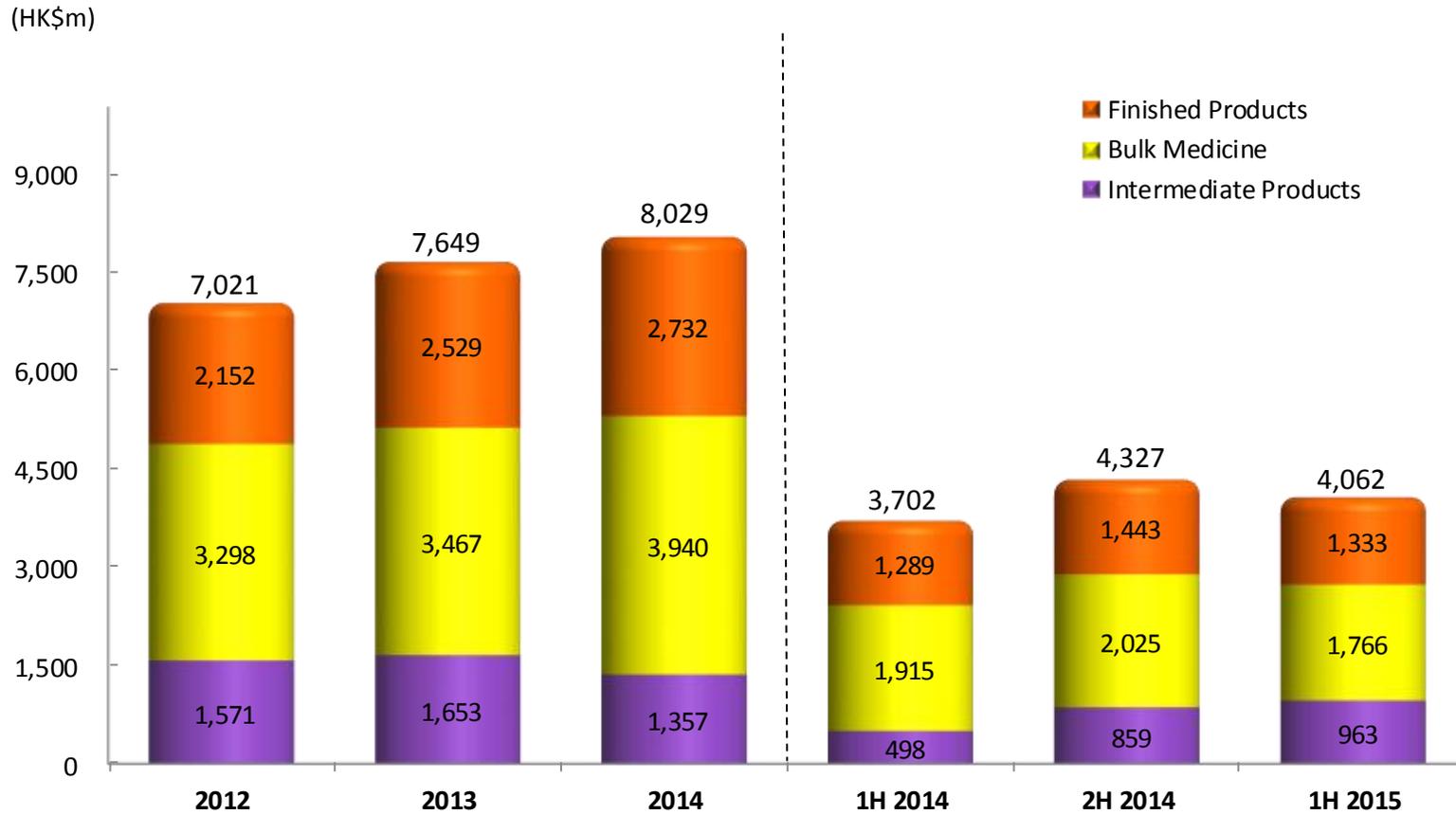


Financial Overview

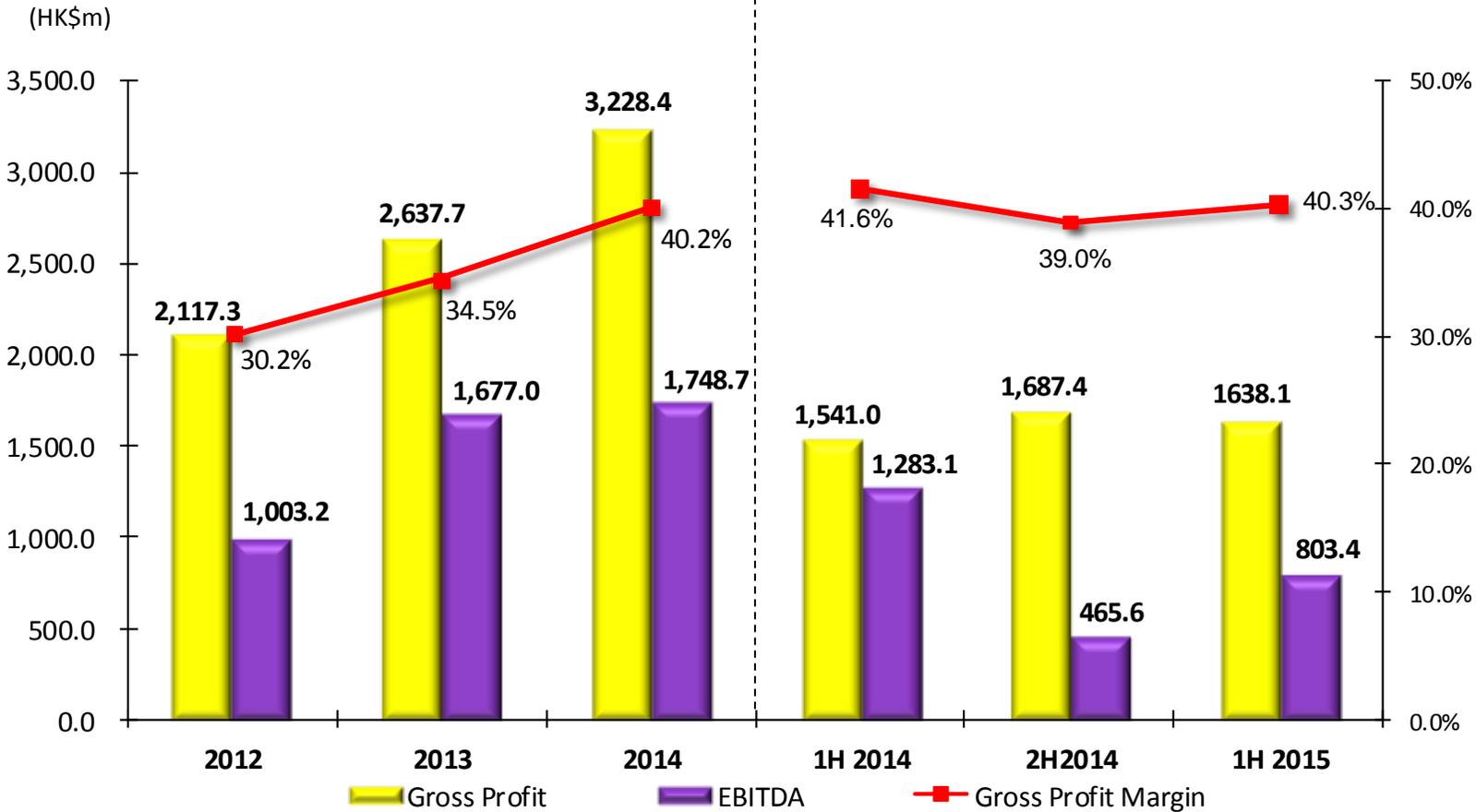


HK\$ million	1H 2015	1H 2014	yoy change	2H 2014	1H15 vs 2H14 change
Revenue	4,062.4	3,701.2	+9.8%	4,328.6	-6.1%
Gross Profit	1,638.1	1,541.0	+6.3%	1,687.4	-2.9%
EBITDA	803.4	1,283.1	-37.4%	465.6	+72.6%
Profit Attributable to Equity Holders	280.3	709.9	-60.5%	(28.8)	+1,073.3%
❖ Removal costs upon cessation of production in Chengdu	---	---	---	4.9	N/A
❖ Impairment loss recognised in respect of property, plant and equipment	---	28.7	N/A	81.4	N/A
❖ Loss / (gain) on fair value change on investment properties	204.9	(1.3)	+15,861.5%	317.0	-35.4%
❖ Deferred tax (assets) / liabilities on fair value change of investment properties	(116.7)	---	N/A	(179.2)	-34.9%
❖ Subsidy income	---	(392.4)	N/A	1.7	N/A
❖ Loss on fair value change of derivative components of convertible bonds	5.5	13.0	-57.7%	(9.8)	+156.1%
Adjusted core business profit	374.0	357.9	+4.5%	187.2	+99.8%
EPS (HK cents)					
- Basic	17.23	43.64	-60.5%	(1.78)	+1,068.0%
- Diluted	17.23	43.64	-60.5%	(1.78)	+1,068.0%

Revenue



Gross Profit, EBITDA & Gross Profit Margin

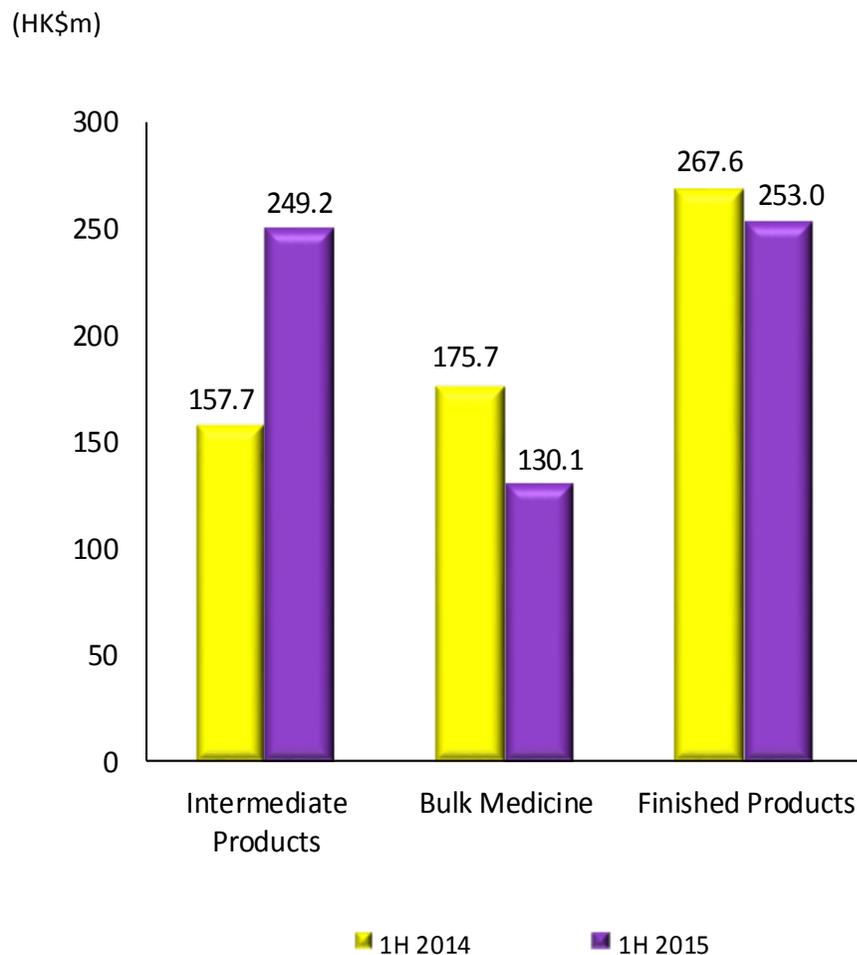


Business Segment Results & Margins



	Segment Results by Product	
	1H 2015	1H 2014
Intermediate Products	39.4%	26.3%
Bulk Medicine	20.6%	29.2%
Finished Products	40.0%	44.5%

	Segment Margins	
	1H 2015	1H 2014
Intermediate Products	14.3%	12.1%
Bulk Medicine	6.8%	7.9%
Finished Products	19.0%	20.8%



Other Key Financial Indicators



	As at 30 Jun 2015	As at 31 Dec 2014
Trade and bills receivable turnover (days)	100.5	118.0
Trade and bills payable turnover (days)	164.5	157.3
Stock turnover (days)	123.9	107.8
Current ratio	0.74	0.74
Net Gearing ratio ⁽¹⁾	62.1%	72.3%
Cash and cash equivalents (HK\$ 'million)	855.1	1,003.1
Total assets (HK\$ 'million)	18,803.5	18,918.2

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

	1H 2015	1H 2014
Net cash from operating activities (HK\$ million)	1,118.5	967.8



Section 3

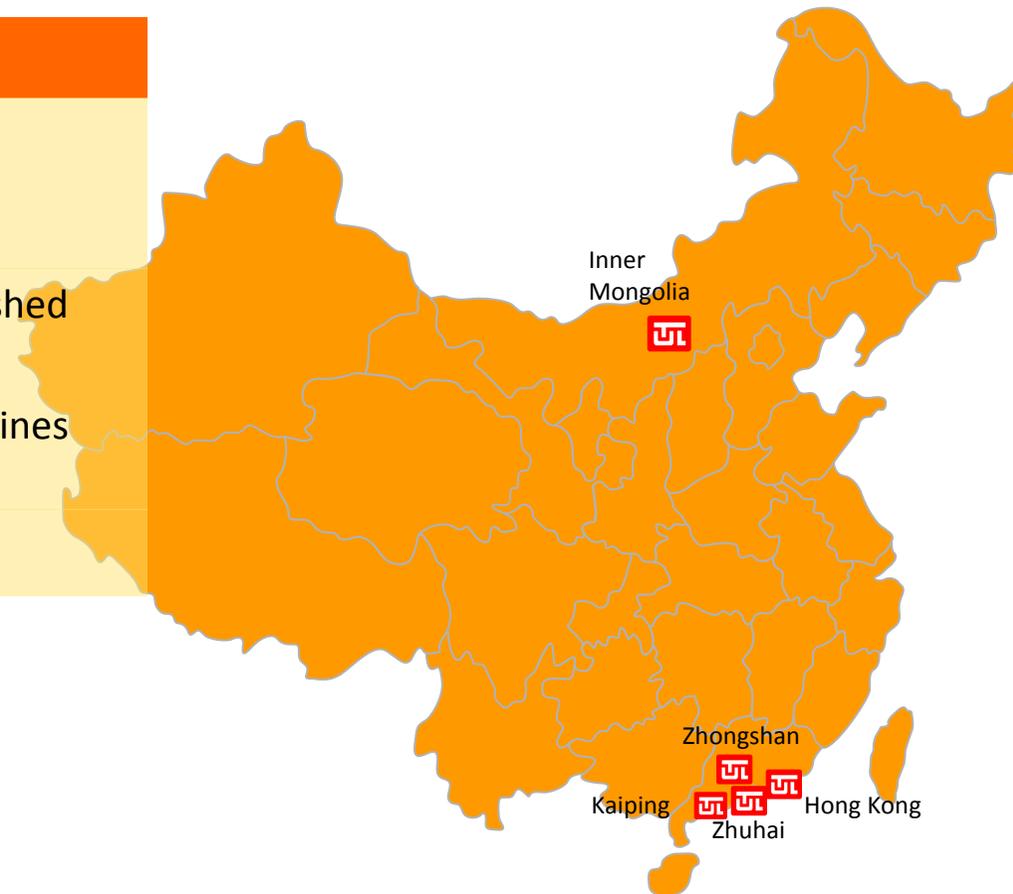
Business Review



Plant Locations



Plant Location	Key Product(s)
Hong Kong	Finished products
Zhongsan	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 2015



	1H Designed Capacity	Utilization Rate	External Sales
Intermediate products (tonnes)			
• 6-APA	12,000	85%	50%
• T-Octylammonium Clavulanate	360	46%	N/A
Bulk medicine (tonnes)			
• Semi-synthetic penicillins type	10,000	66%	90%
• Cephalosporins type	600	58%	90%
• β - lactamase inhibitor antibiotics type	784	67%	90%
Finished products (mil)			
• Amoxicillin & Ampicillin capsules	770	85%	100%
• Amoxicillin granules	80.6	56%	100%
• β - lactamase inhibitor antibiotics	71.6	87%	100%

Sales Volume



Types	Products	External Sales volume in 1H 2015	External Sales volume in 1H 2014	yoy change
Intermediate products (tonnes)	6-APA	5,075.0	2,453.0	+106.9%
Bulk medicine (tonnes)	Semi-synthetic penicillins type	5,491.0	5,652.0	-2.8%
	Cephalosporins type	215.0	308.0	-30.2%
	β- lactamase inhibitors type	470.0	360.0	+30.6%
Finished products (million packs)	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) (bottles)	7.8	7.0	+11.4%
	Amoxicillin capsules (250/500mg) [#]	24.1	22.8	+5.7%
	Ampicillin capsules (250/500mg)	10.0	10.3	-2.9%
	Ibuprofen capsules	3.0	2.7	+11.1%
	Insulin	2.5	1.5	+66.7%
	Carbapenems for injection	1	0.7	+42.9%
	VC effervescent tablets	1.1	0.8	+37.5%
	Eye drops [#]	5.7	5.0	+14.0%

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

Average External Selling Price



Average External Selling Price#	1H 2015	1H 2014	y-o-y change
Intermediate products (RMB/kg)			
6-APA	150.7	159.7	-5.6%
Bulk medicine (RMB/kg)			
Semi-synthetic penicillins type	160.9	173.4	-7.2%
Cephalosporins type	705.7	641.3	+10.0%
β- lactamase inhibitors type	699.1	732.6	-4.6%

#Selling price not including VAT and other tax

Vertical Integration



Intermediate products, accounted for 23.7% of total external sales in 1H 2015

6-APA (70-80%#)

23.7%

T-Octylammonium Clavulanate

N/A

Bulk medicine, accounted for 43.5% of total external sales in 1H 2015

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



27.7%

Cephalosporins type



4.8%

β - lactamase inhibitors type



10.2%

Carbapenems type



0.8%

Insulin API



N/A

Finished products, accounted for 32.8% of total external sales in 1H 2015

Semi-synthetic penicillins antibiotics



10.2%

Cephalosporins antibiotics



3.7%

β -lactamase inhibitors antibiotics



8.6%

Carbapenems antibiotics



1.4%

Insulin products



3.0%

Others (including capsule casings)



5.9%

#Chinese market share

Business Review of Insulin Series



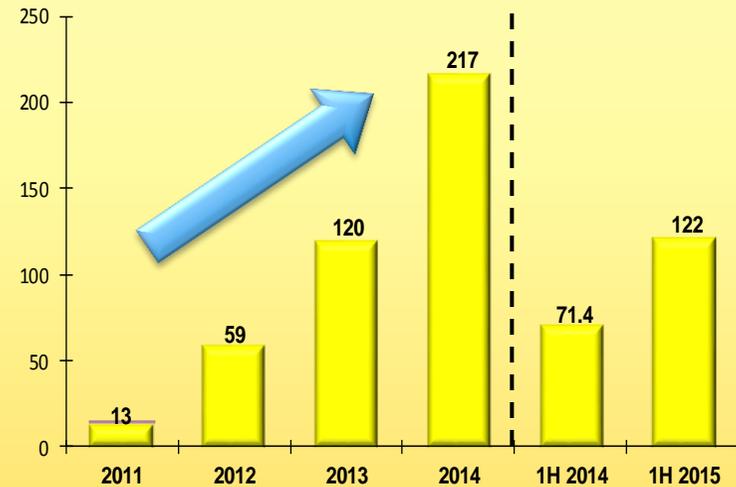
- ◆ The proposed bidding result for each regulation was more than 20 provinces and municipalities
- ◆ Insulin Glargin (甘精胰岛素): pending for production permit
- ◆ Insulin Aspart (门冬胰岛素): finished clinical trial in 2014

Insulin series will continue to be the Group's key products

- ◆ Contributing approx. HK\$121.8 million to the Group's revenue in 1H 2015
- ◆ Insulin series 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
- ◆ Outstanding sales performance from Henan, Shandong, Guangdong, Jilin and Heilongjiang

Strong Sales Performance of Insulin Series

(HK\$m)



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 CFDA in Jul 2013
- ◆ Sales in 19 provinces or municipalities, won biddings in 7 provinces including Shandong, Chongqing, Hubei, Hunan and Shanghai
- ◆ Put greater efforts of Memantine Hydrochloride series products to open up the sales in large-scale hospitals



Vitamin C effervescent tablets of blackcurrant flavor was launched in Mar 2015

- ◆ More flavor choices and new drinking experience
- ◆ VC effervescent tablets of orange flavor and blackcurrant flavor achieved HK\$19.8 million sales in 1H 2015



Yin Dan effervescent tablets started E-marketing business

- ◆ The Group's official product store successfully started business on Tmall.com and JD.com, it was a new start that we try the E-marketing business
- ◆ Yin Dan contributed HK\$3.6 million sales in 1H 2015



The first four domestic pharmaceutical company to produce Levetiracetam

- ◆ A new drug for anti-epileptic
- ◆ The grant of approval for drug registration by CFDA in May 2015

Research & Development



- ◆ 52 new products were under development, in which 9 in the process of patent registration and 18 patents approved by the government

- ◆ 33 new products at the stage of pre-clinical-trial
- ◆ 3 new products at the stage of clinical trial
- ◆ 16 new products pending for production approval
- ◆ Series of product include those anti-diabetes, anti-hepatitis B, anti-cancer, and anti-epilepsy, 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 personnels
- 39 types of chemical drugs at different R&D stages

Biological R&D Department

- approx. 90 R&D personnels
- 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

Pipeline of Biological Products



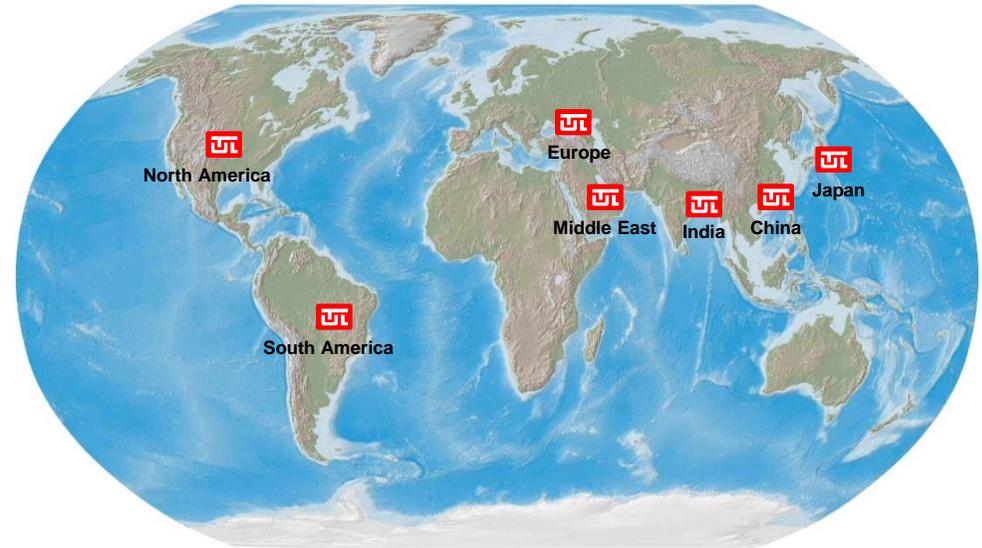
New Products	R & D Progress	Main curative effects
Insulin Glargine Injection 第三代甘精胰岛素注射液（长效）	Pending for production permit	For treatment of type I & II diabetes
Insulin Aspart Injection 第三代门冬胰岛素注射液（超速效）	Clinical trial finished	For treatment of type I & II diabetes
Insulin Detemir Injection 第三代地特胰岛素注射液（长效）	Pending for clinical permit	For treatment of type I & II diabetes
Insulin Degludec Injection 第三代德谷胰岛素注射液（超长效）	Pre-clinical-trial	For treatment of type I & II diabetes
Liraglutide Injection 利拉鲁肽（GLP-1 类似物）	Pre-clinical-trial	For treatment of type II diabetes
Premixed Protamine Recombinant Human Insulin Injection (40/60) 精蛋白重组人胰岛素混合注射液（40/60）	Pre-clinical-trial	For treatment of type I & II diabetes

Pipeline of Chemical Pharmaceutical Product



New Products	R & D Progress	Main curative effects
Tenofovir Disoproxil Fumarate Tablets 富马酸替诺福韦二吡呋酯片	Pending for production permit	Anti-AIDS & Anti-hepatitis B
Febuxostat Tablets 非布司他片	Pending for production permit	Anti-gout
Tadalafil Tablets 他达拉非片	Pending for production permit	For treatment of erectile dysfunction
Lapatinib Ditosylate 二甲苯磺酸拉帕替尼	Pre-clinical-trial	Anti-cancer
Sitagliptin Phosphate Tablets 磷酸西格列汀片（DPP-4 抑制剂）	Pre-clinical-trial	For treatment of type II diabetes
Memantine Hydrochloride extended-release capsule 盐酸美金刚缓释胶囊	Pre-clinical-trial	For treatment of Alzheimer's disease

Extensive Sales and Distribution Network



Domestic Market

- ◆ Around 3,000 sales staff in 28 sales offices of finished products as at 30 Jun 2015
- ◆ Over 1,000 distributors, 80 of them are top class distributors
- ◆ Further penetrated into hospital, essential drugs market, OTC and rural areas
- ◆ Expand the sales of OTC products, Chinese medical healthcare products in chain store pharmacies

Overseas Markets

- ◆ Accounted for 34.6% of the Group total sales in 1H 2015
- ◆ Sales of bulk products to North America, Europe, India, Japan, Middle East, South America and other regions
- ◆ 10 European CEP certificates, 8 Bulk Medicines and 1 Finished Product received the FDA approval from US, 16 API approvals from India, 8 approvals from Russia, 3 got Japanese GMP, 4 official approvals from Mexico



Section 4

Outlook & Strategies



Financial

- ◆ Continue to optimize financial structure, maintain a healthy and balanced mix

API /Intermediates business

- ◆ Continue to optimize the production process, further reduce costs and increase sales
- ◆ Develop high-quality customer base and enhance our leadership position in the industry

Finished Products

- ◆ Actively enhance the variety of biological products and promote sales growth
- ◆ Expand sales of finished products to open up the markets in medium and large-scale hospitals, essential drugs market, OTC and rural areas



让生命更有价值
Our mission is to make life more valuable



Section 5

Q & A Session