

**The United Laboratories
International Holdings Limited**

2016 Interim Results Announcement Corporate Presentation

August 2016





Results Snapshot



Financial Highlights



Business Review



Outlook & Strategies



Q & A



Section 1

Results Snapshot



2016 Interim Results Snapshot



- ◆ Turnover: -13.8% to HK\$3,503.5 million
- ◆ Gross profit: -21.7% to HK\$1,282.4 million
- ◆ Loss attributable to equity holders: HK\$15.1 million (1H 2015: profit of HK\$280.3 million);
Adjusted core business loss: HK\$50.8 million (1H 2015: profit of HK\$333.5 million)
- ◆ Segment margin compared with 1H 2015
 - ◆ Intermediate products: from 14.3% to -1.1%
 - ◆ Bulk medicine: from 6.8% to -0.1%
 - ◆ Finished products: from 19.0% to 26.2%
- ◆ Insulin series sales achieved 53.4% growth to HK\$186.8 million
- ◆ Finished products maintained 1.9% growth to HK\$1,357.9 million in turnover
- ◆ Overseas sales: -31.4% to HK\$964.1 million, accounting for 27.5% of total sales
- ◆ The United Animal Healthcare (Inner Mongolia) Co., Ltd. acquired 32 veterinary drug and 7 mixed feed additive approvals
- ◆ The Group's net gearing ratio reduced from 60.2% as at 31 Dec 2015 to 59.6% as at 30 Jun 2016
- ◆ The United Laboratories ranked at No. 30 of 2015 Top 100 China Pharmaceutical Industrial published by China National Pharmaceutical Industry Information Center



Section 2

Financial Highlights

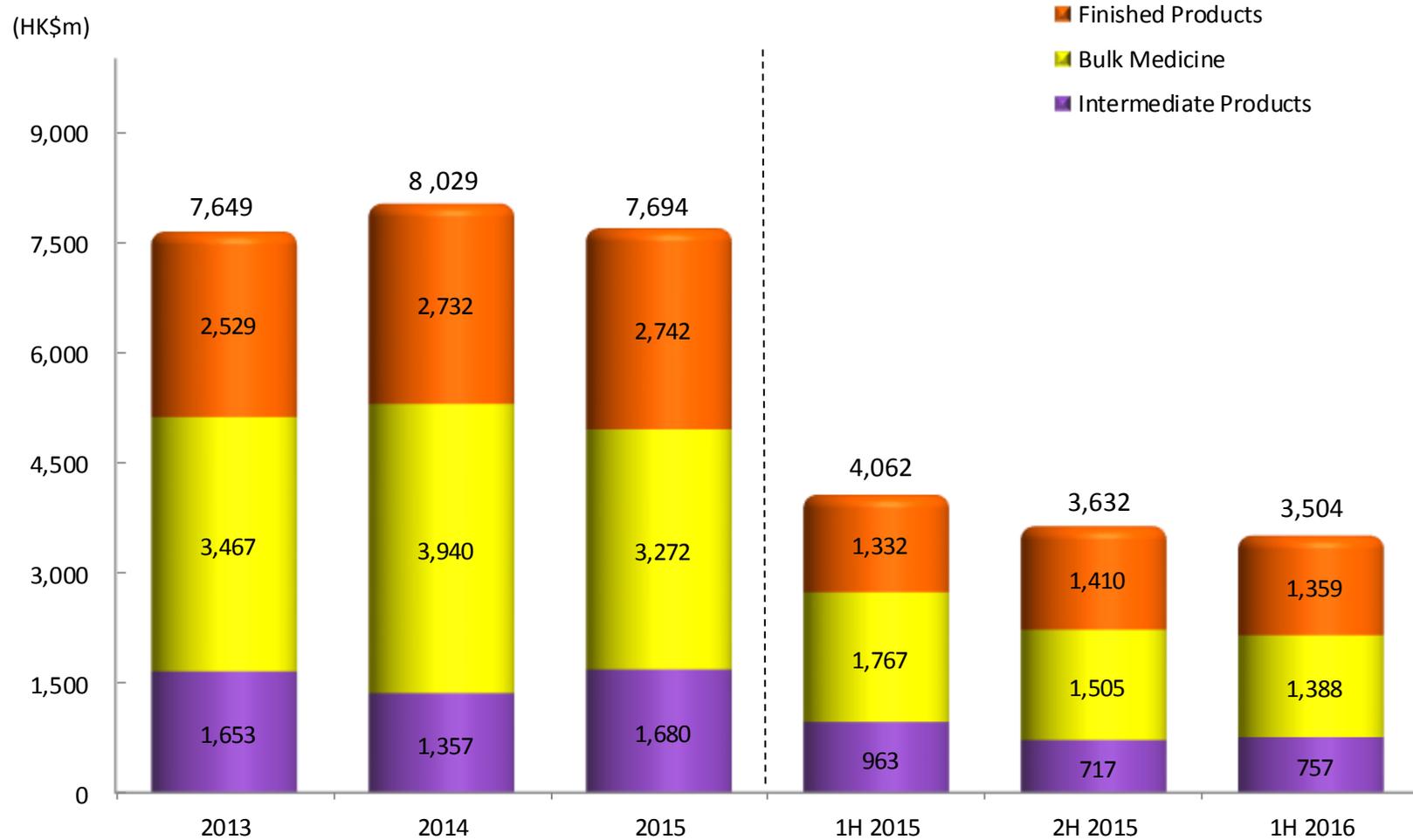


Financial Overview

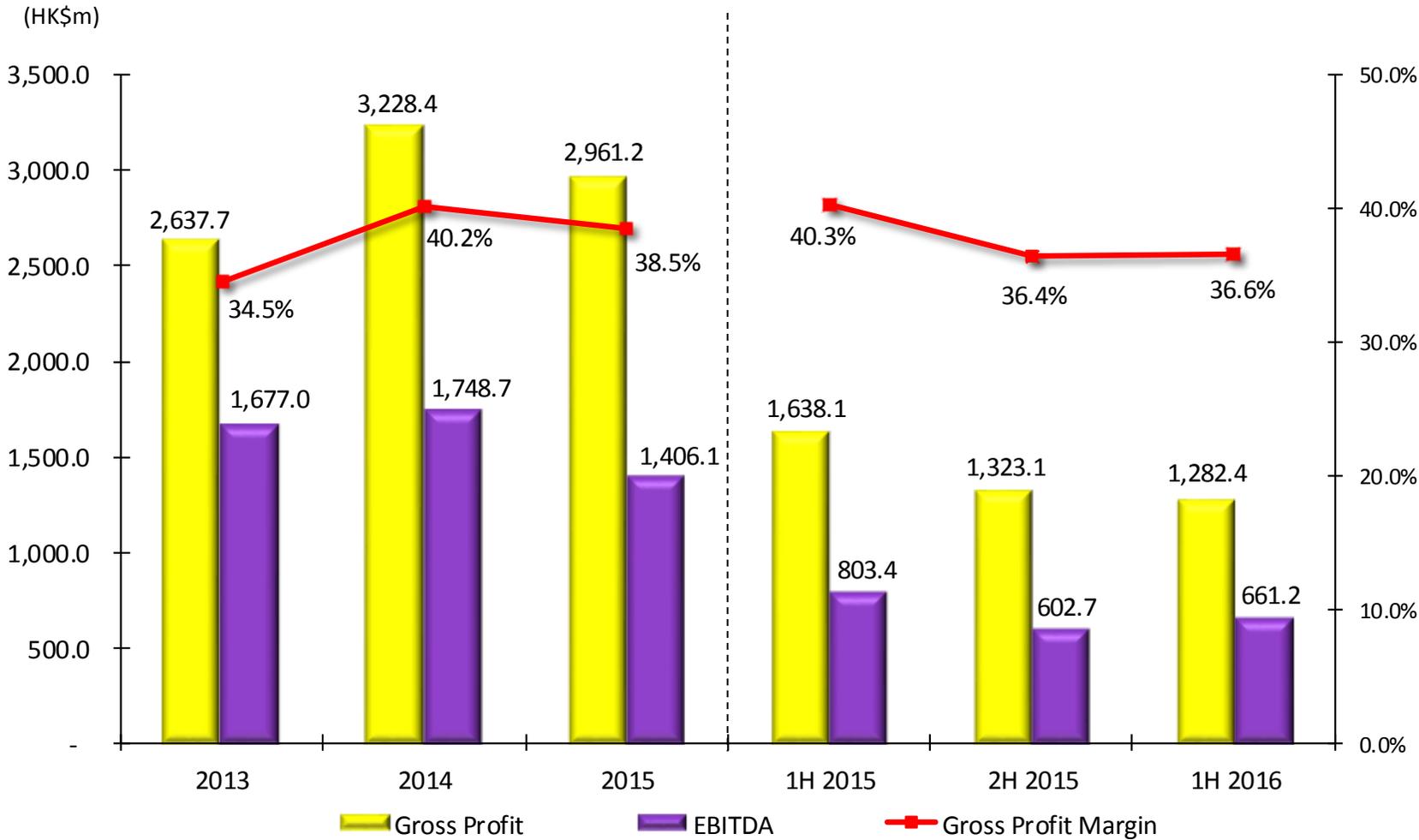


HK\$ million	1H 2016	1H 2015	yoy change	2H 2015	1H16 vs 2H15 change
Revenue	3,503.5	4,062.4	-13.8%	3,632.2	-3.5%
Gross Profit	1,282.4	1,638.1	-21.7%	1,323.1	-3.1%
EBITDA	661.2	803.4	-17.7%	602.7	+9.71%
(Loss)/profit Attributable to Equity Holders	-15.1	280.3	-105.4%	-169.9	-91.1%
❖ Loss on fair value change on investment properties	-	204.9	N/A	-124.9	N/A
❖ Deferred tax assets on fair value change of investment properties	-	(116.7)	N/A	71.9	N/A
❖ (Gain)/loss on fair value change of derivative components of convertible bonds	-11.3	5.5	-305.5%	-12.3	-8.1%
❖ Investment loss/(income) on forward contracts	46.0	-13.9	-430.9%	12.2	277.0%
❖ Fair value (gain)/loss on forwards contracts	-70.4	-26.6	164.7%	202.7	-134.7%
Adjusted core business (loss)/profit	-50.8	333.5	-115.2%	-20.3	+150.2%
(Loss) earnings per share (HK cents)					
- Basic	-0.93	17.23	-105.4%	-10.5	-91.1%
- Diluted	-0.93	17.23	-105.4%	-10.5	-91.1%

Revenue



Gross Profit, EBITDA & Gross Profit Margin

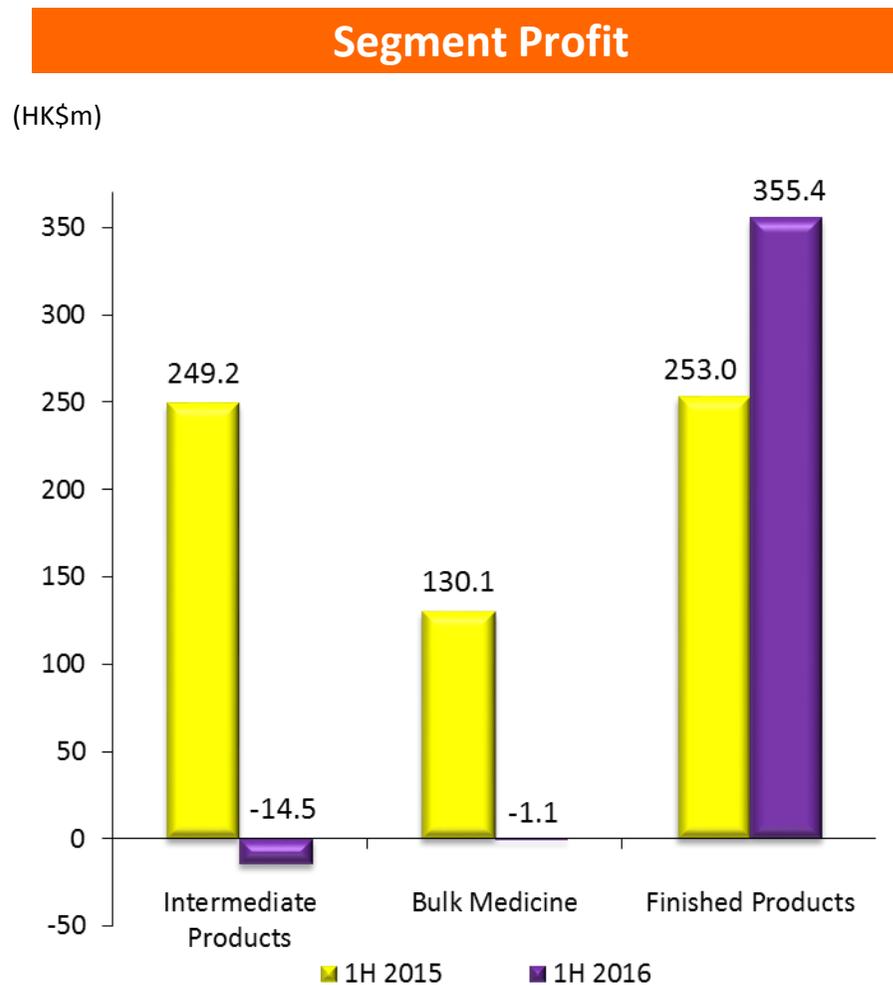


Business Segment Results & Margins



Segment Profit Breakdown		
	1H 2016	1H 2015
Intermediate Products	(4.3)%	39.4%
Bulk Medicine	(0.3)%	20.6%
Finished Products	104.6%	40.0%
Total	100%	100%

Segment Margins		
	1H 2016	1H 2015
Intermediate Products	(1.1)%	14.3%
Bulk Medicine	(0.1)%	6.8%
Finished Products	26.2%	19.0%



Other Key Financial Indicators



	As at 30 Jun 2016	As at 31 Dec 2015
Trade and bills receivable turnover (days)	104.7	94.2
Trade and bills payable turnover (days)	130.1	129.8
Stock turnover (days)	114.8	109.1
Current ratio	0.78	0.68
Net Gearing ratio [#]	59.6%	60.2%
Cash and cash equivalents (HK\$ 'million)	1,335.7	1,114.5
Total assets (HK\$ 'million)	17,151.0	17,407.9

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 2016	1H 2015
Net cash from operating activities (HK\$ 'million)	255.3	1,118.5



Section 3

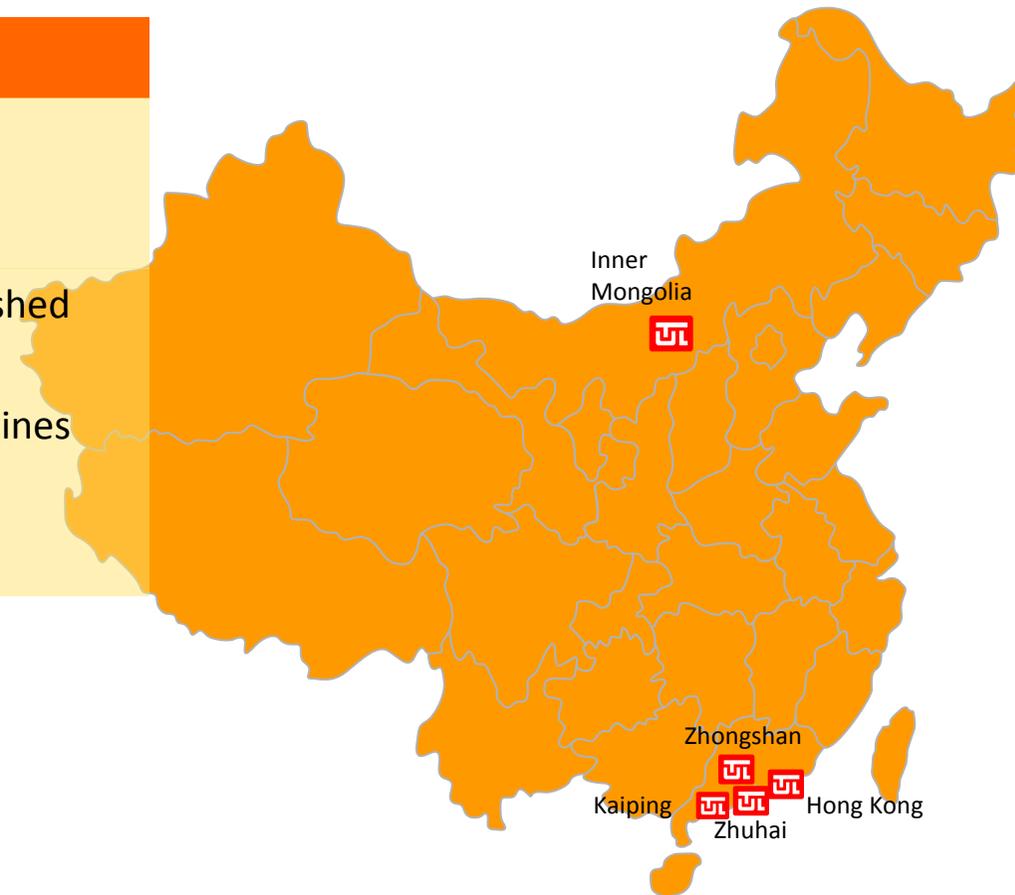
Business Review



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 2016



	1H Designed Capacity	Utilization Rate	External Sales
Intermediate products (tonnes)			
• 6-APA	9,000	70.5%	73%
• Penicillin G Potassium First Crystal (in BOU) #	4,480,000##	32.6%	100%
• T-Octylammonium Clavulanate	360	66.3%	N/A
Bulk medicine (tonnes)			
• Semi-synthetic penicillins type	10,000	46.5%	90%
• Cephalosporins type	600	73.3%	90%
• β -lactamase inhibitor antibiotics type	784	81.5%	90%
Finished products (mil)			
• Amoxicillin & Ampicillin capsules	770	97.3%	100%
• Amoxicillin granules	80.6	49.6%	100%
• β -lactamase inhibitor antibiotics	71.6	81.3%	100%

It is the market practice to use BOU as the measuring unit of Penicillin G Potassium First Crystal. 1 BOU represents around 0.63 kg of this product.

Production commenced from March 2016. It represented production capacity of 4 months

Sales Volume



Types	Products	External Sales volume in 1H 2016	External Sales volume in 1H 2015	yoy change
Intermediate products (tonnes)	6-APA	4,634.7	5,075.0	-8.7%
	Penicillin G Potassium First Crystal (In BOU)	1,067,800	---	N/A
Bulk medicine (tonnes)	Semi-synthetic penicillins type	4,498.9	5,491.0	-18.1%
	Cephalosporins type	266.4	215.0	+23.9%
	β -lactamase inhibitors type	522.9	470.0	+11.3%
Finished products (million packs)	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) (bottles)	8.4	7.8	+7.7%
	Amoxicillin capsules (250/500mg) [#]	25.9	24.1	+7.5%
	Ampicillin capsules (250/500mg)	9.7	10.0	-3.0%
	Ibuprofen capsules [#]	4.8	3.0	+60.0%
	Insulin [#]	3.9	2.5	+56.0%
	Carbapenems for injection	1.6	1.0	+60.0%
	Eye drops [#]	6.2	5.7	+8.8%

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

Average External Selling Price



Average External Selling Price [#]	1H 2016	1H 2015	y-o-y change
Intermediate products			
6-APA (RMB/kg)	126.5	150.7	-16.1%
Penicillin G Potassium First Crystal (RMB/BOU)	41.2	N/A	N/A
Bulk medicine (RMB/kg)			
Semi-synthetic penicillins type	135.5	160.9	-15.8%
Cephalosporins type	632.1	705.7	-10.4%
β -lactamase inhibitors type	673.9	699.1	-3.6%

[#]Selling price not including VAT and other tax

Vertical Integration



Intermediate products, accounted for 21.6% of total external sales in 1H 2016

6-APA (70-80%#) 20.1%	T-Octylammonium Clavulanate N/A	Penicillin G Potassium First Crystal 1.5%
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Bulk medicine, accounted for 39.6% of total external sales in 1H 2016

Semi-synthetic penicillins type (50-60%#)  21.1%	Cephalosporins type  5.8%	β -lactamase inhibitors type  11.9%	Carbapenems type  0.8%	Insulin API  N/A
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Finished products, accounted for 38.8% of total external sales in 1H 2016

Semi-synthetic penicillins antibiotics  11.8%	Cephalosporins antibiotics  3.5%	β -lactamase inhibitors antibiotics  10.1%	Carbapenems antibiotics  2.2%	Insulin products  5.3%	Others (including capsule casings)  5.9%
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#Chinese market share

Business Review of Insulin Series

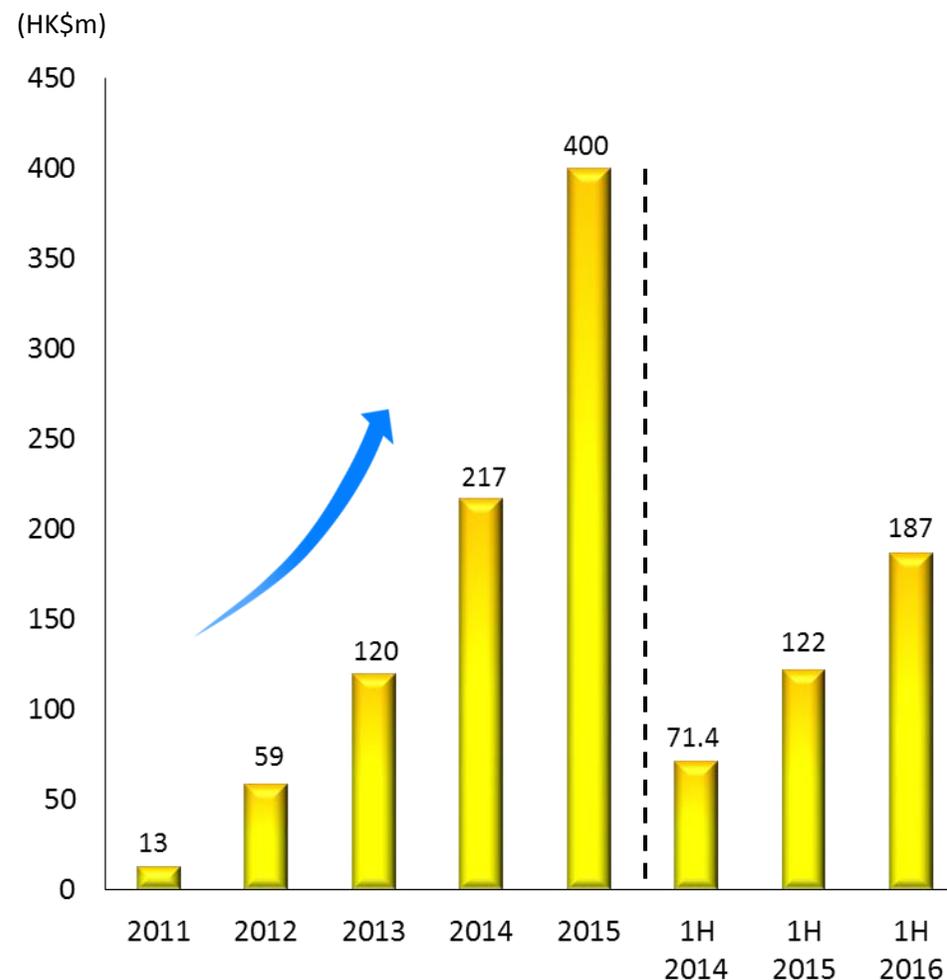


Insulin series will continue to be the Group's key products

- ◆ 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 Anhui, Shandong, Henan, Guangdong and Jilin Province
- ◆ 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
- ◆ Insulin Detemir (地特胰岛素): Approval for clinical permit



Strong Sales Performance of Insulin Series





Piperacillin Sodium and Tazobactam Sodium for Injection ranking the sales leader

- ◆ TUL owns 5 specifications, including one for pediatric drug
- ◆ Sales contributing HK\$234.0 million in 1H 2016



Carbapenems series maintained high-speed growth

- ◆ High-end antibiotics for treatment of severe infection
- ◆ TUL's carbapenems series included Imipenem, Meropenem and Biapenem
- ◆ Carbapenems series achieved 39.6% growth to HK\$76.8 million

TUL will continue to expand the sales of eye drops series

- ◆ TUL's eyes drops series were partially listed in Insurance Catalogue (2009 version)
- ◆ Eye drops series achieved HK\$83.9 million sales in 1H 2016



Enrich OTC products variety and expand sales of OTC products

- ◆ OTC products cover the variety of eye drops series, cream series, Ibuprofen capsules, etc
- ◆ TUL will enrich OTC products variety and expand sales by cooperating with large-scale chain drugstores



Research & Development



- ◆ 44 new products were under development, in which 9 in the process of patent registration and 21 patents approved by the government

- ◆ 29 new products at the stage of pre-clinical-trial
- ◆ 12 new products at the stage of clinical trial
- ◆ 3 new products pending for production approval
- ◆ Series of product include those anti-diabetes, anti-hepatitis B, anti-cancer, 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
- 31 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



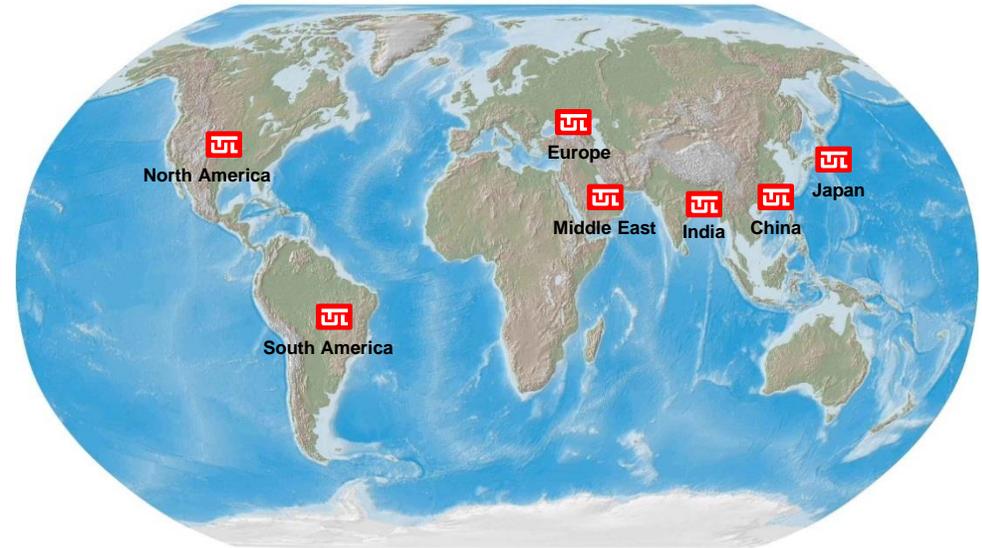
New Products	R & D Progress	Main curative effects
Insulin Glargine Injection 第三代甘精胰岛素注射液（长效）	Pending for production permit	For treatment of type I & II diabetes
Insulin Aspart Injection 第三代门冬胰岛素注射液（超速效）	Clinical trial finished	For treatment of type I & II diabetes
Insulin Detemir Injection 第三代地特胰岛素注射液（长效）	Approval 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 Products



New Products	R & D Progress	Main curative effects
Tenofovir Disoproxil Fumarate Tablets 富马酸替诺福韦二吡呋酯片	Approval for clinical permit	Anti-hepatitis B & Anti-AIDS
Tadalafil Tablets 他达拉非片	Approval for clinical permit	For treatment of erectile dysfunction
Clopidogrel Hydrogen Sulphate Tablets 硫酸氢氯吡格雷片	Approval for clinical permit	Anti-thrombosis
Sitagliptin Phosphate Tablets 磷酸西格列汀片（DPP-4 抑制剂）	Pre-clinical-trial	For treatment of type II diabetes
Posaconazole Enteric-coated Tablets 泊沙康唑肠溶片	Pre-clinical-trial	Anti-fungal
Vitamin C Effervescent Tablets Series 联邦多维他维C泡腾片系列	Pre-clinical-trial	Strengthen immunity

Extensive Sales and Distribution Network



Domestic Market

- ◆ Around 3,000 sales staff in 28 sales offices of finished products as at 30 Jun 2016
- ◆ 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 27.5% of the Group total sales in 1H 2016
- ◆ Sales of bulk products to North America, Europe, India, Japan, Middle East, South America and other regions
- ◆ 11 European CEP certificates; 1 Intermediate product, 8 Bulk Medicines and 1 Finished Product received the approval from US FDA; 15 API approvals from India; 3 got Japanese GMP, 6 official approvals from Mexico



Section 4

Outlook & Strategies



Financial

- ◆ Continue to optimize financial structure, maintain a healthy and balanced mix
- ◆ Maintain the balance in the ratio between onshore and offshore borrowings

API /Intermediates business

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

Finished Products

- ◆ Expand production capacity
- ◆ Actively enhance the variety of biological products and promote sales growth
- ◆ Enrich OTC products variety and expand sales of OTC products by cooperating with large-scale chain drugstores
- ◆ Roll out animal drugs veterinary drug series and establish its sales channels



Section 5

Q & A Session

