

**The United Laboratories
International Holdings Limited**

**2019 Interim Results Announcement
Corporate Presentation**

August 2019



Results Snapshot



Financial Highlights



Business Review



Outlook & Strategies



Q & A



Section 1

Results Snapshot



2019 Interim Results Snapshot

- ◆ Turnover: +7.8% to RMB4,090.0 million
- ◆ Gross profit: +8.5% to RMB1,721.0 million
- ◆ Profit attributable to equity holders: +224.6% to RMB295.9 million
- ◆ Adjusted core business profit: -25.2% to RMB298.8 million
- ◆ Revenue & segment margin
 - ◆ Intermediate products: -29.4% to RMB549.9 million with segment margin of 3.3%
 - ◆ Bulk medicine: +16.3% to RMB1,870.4 million with segment margin of 6.6%
 - ◆ Finished products: +18.9% to RMB1,669.7 with segment margin of 20.9%
- ◆ Insulin series achieved 32.6% of sales growth to RMB372.3 million[#]
 - ◆ Recombinant human Insulin: Sales volume increased by 14.2% to 7.1million vials (Sales revenue: RMB287.4 million[#])
 - ◆ Insulin Glargine: Sales volume highly increased by 188.9% to 0.6million vials (Sales revenue: RMB84.9 million[#])
- ◆ Overseas sales: +11.1% to RMB1,191.0 million, accounting for 29.1% of total sales
- ◆ The Group was granted the “China Top Ten Member Exporters of APIs” by China Chamber of Commerce for Import & Export of Medicines & Health Products.

Sales revenue denotes gross sales including sales discounts.



Section 2

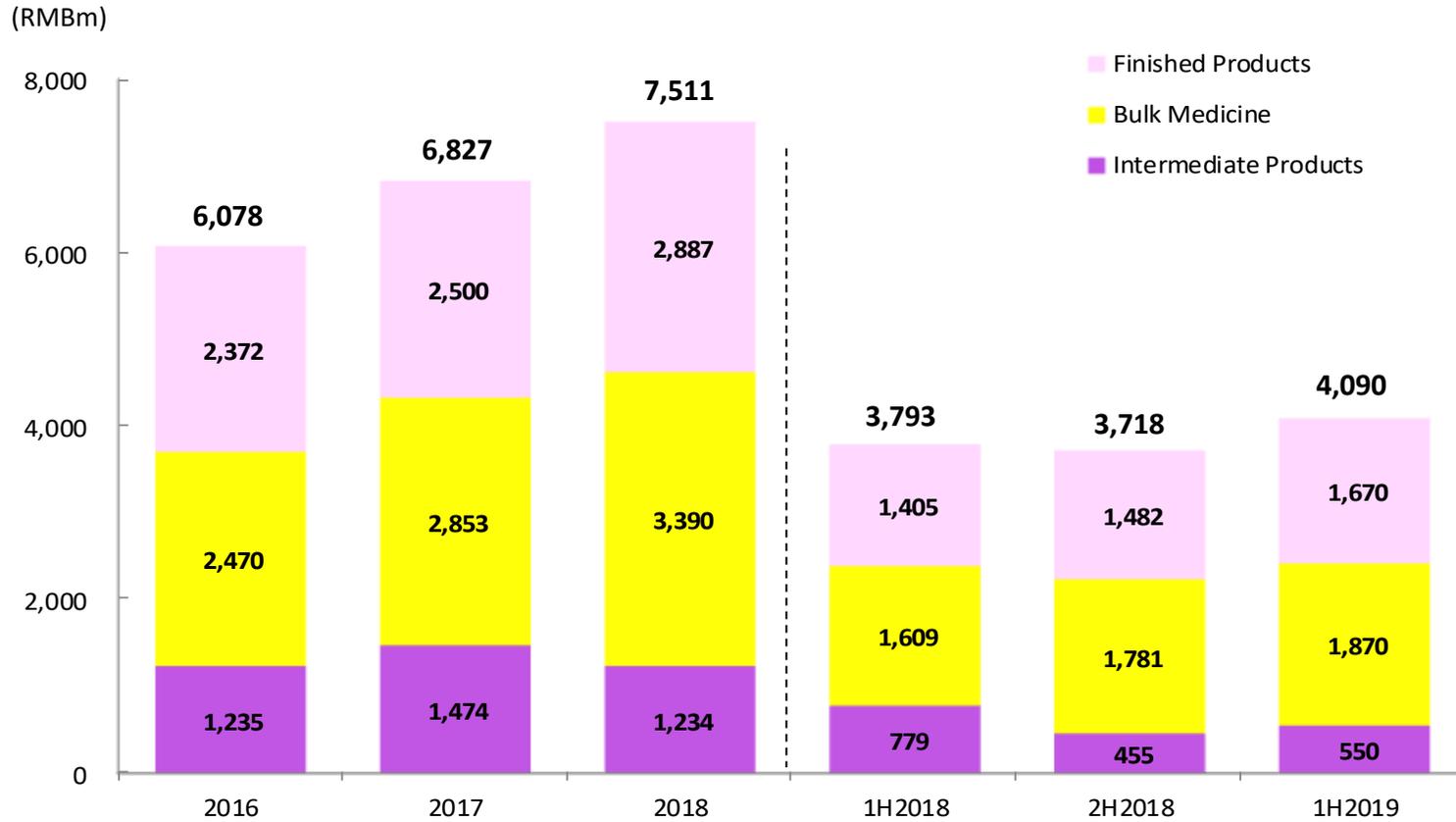
Financial Highlights

Financial Overview

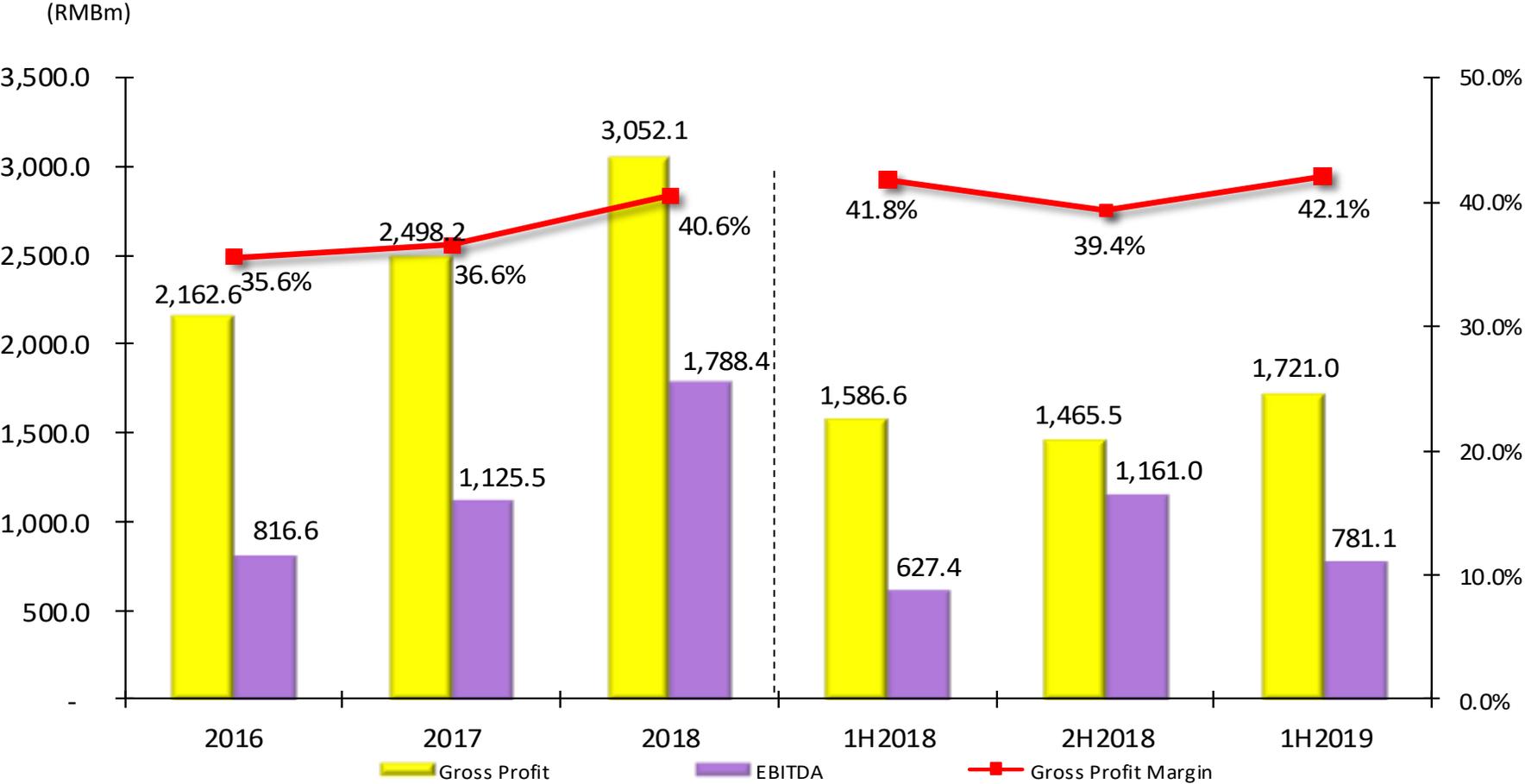


RMB million	1H2019	1H2018	yoy change	2H2018	1H19 vs 2H18 change
Revenue	4,090.0	3,792.7	+7.8%	3,717.9	+10.0%
Gross Profit	1,721.0	1,586.6	+8.5%	1,465.5	+17.4%
EBITDA	781.1	627.4	+24.5%	1,161.0	-32.7%
Profit Attributable to Equity Holders	295.9	91.2	+224.6%	591.7	-50.0%
❖ Loss on fair value change on investment properties	93.3	59.3	+57.3%	35.6	+162.1%
❖ Reversal of deferred tax liabilities on fair value change on investment properties	(51.5)	(32.6)	--	(19.7)	--
❖ Impairment loss recognized in respect of property, plant and equipment	13.5	0.7	+1,828.6%	28.8	-53.1%
❖ Loss/(Gain) on fair value change of derivative components of convertible bonds	(52.4)	280.6	--	(507.0)	--
<u>Adjusted core business profit</u>	298.8	399.2	-25.2%	129.4	+130.9%
Earning per share (RMB cents)					
- Basic	18.05	5.60	+222.3%	--	--
- Diluted	18.05	5.60	+222.3%	--	--

Revenue



Gross Profit, EBITDA & Gross Profit Margin



Segment Results & Margins

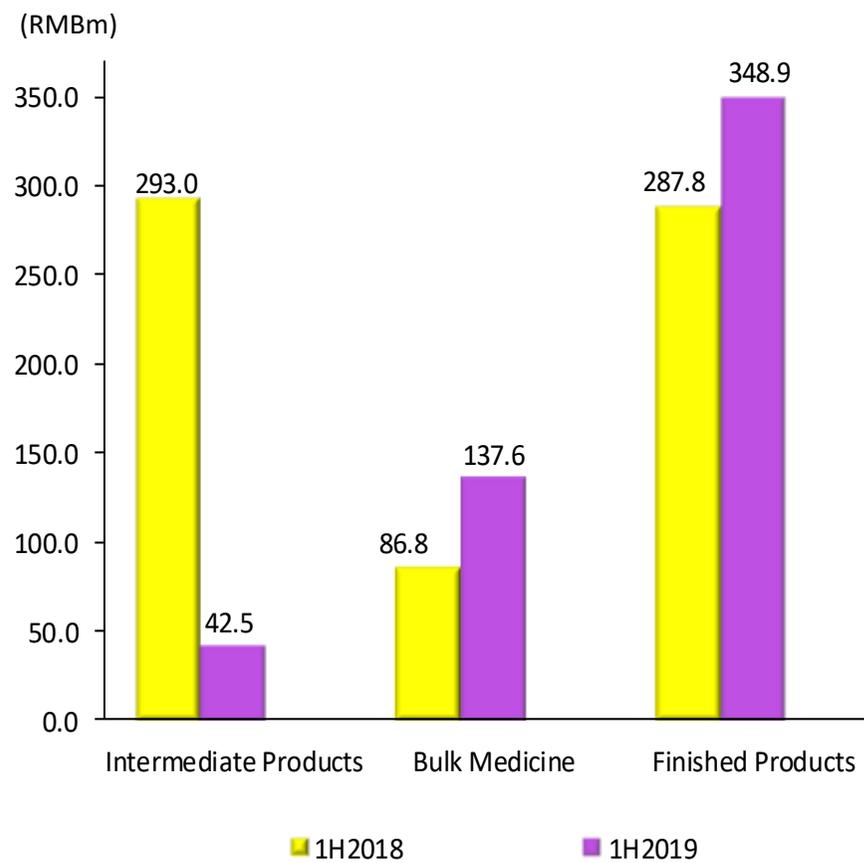


Segment Profit Breakdown		
	1H2019	1H2018
Intermediate Products	8.0%	43.9%
Bulk Medicine	26.0%	13.0%
Finished Products	66.0%	43.1%
Total	100%	100%

Segment Margin (EBIT#)		
	1H2019	1H2018
Intermediate Products	3.3%	18.4%
Bulk Medicine	6.6%	4.8%
Finished Products	20.9%	20.5%

EBIT: Earnings before interest and taxation.

Segment Profit



Other Key Financial Indicators



	As at 30 Jun 2019	As at 31 Dec 2018
Trade and bills receivable turnover (days)	109.9	144.1
Trade and bills payable turnover (days)	199.0	186.8
Stock turnover (days)	117.4	119.9
Current ratio	0.95	1.03
Net current assets /(liabilities) (RMB million)	(435.6)	181.8
Net gearing ratio [#]	38.1%	49.8%
Cash and cash equivalents (RMB million)	2,630.4	1,578.5
Total assets (RMB million)	15,269.6	14,612.3

[#] calculated as total bank overdraft, borrowings, bills payables, obligations under finance leases and convertible bonds less cash and bank balances, pledged bank deposits and other pledged deposits to total equity.

	1H2019	1H2018
Net cash from operating activities (RMB million)	800.5	578.1



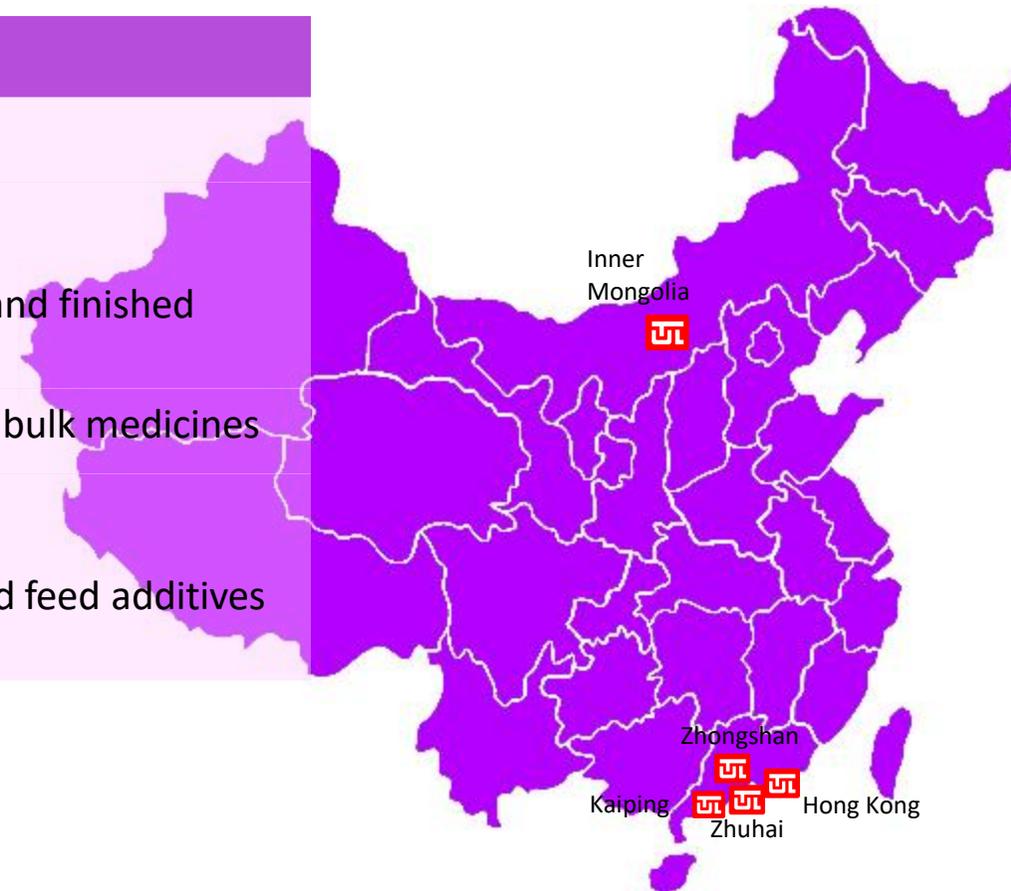
Section 3

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 and bulk medicines
Kaiping	Empty capsule casings
Inner Mongolia (Animal Healthcare)	Veterinary preparations and feed additives



Vertical Integration



Intermediate products, accounted for 13.5% of total external sales in 1H2019

6-APA (70-80%#)	T-Octylammonium Clavulanate	Penicillin G Potassium First Crystal
8.9%	N/A	4.6%

Bulk medicine, accounted for 45.7% of total external sales in 1H2019

Semi-synthetic penicillins type (50-60%#)	Cephalosporins type	β -lactamase inhibitors type	Carbapenems type	Insulin API
 29.8%	 3.8%	 11.5%	 0.6%	 N/A

Finished products, accounted for 40.8% of total external sales in 1H2019

Semi-synthetic penicillins antibiotics	Cephalosporins antibiotics	β -lactamase inhibitors antibiotics	Carbapenems antibiotics	Insulin products	Others (including capsule casings)
 8.5%	 2.2%	 11.5%	 1.7%	 8.6%	 8.3%

#Chinese market share



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
- ◆ TUL will expand the investment on marketing and academic education



Recombinant Human Insulin Injection

- ◆ Included in the "National Medical Insurance Drug List"(2019 version) & "National Essential Drug List"(2018 version)
- ◆ Outstanding sales performance from Anhui, Henan, Shandong, Jilin and Guangdong Province
- ◆ The Group has won the bidding of recombinant human insulin nationwide
- ◆ Recombinant Human Insulin recorded sales revenue of RMB287.4 million[#] in 1H2019

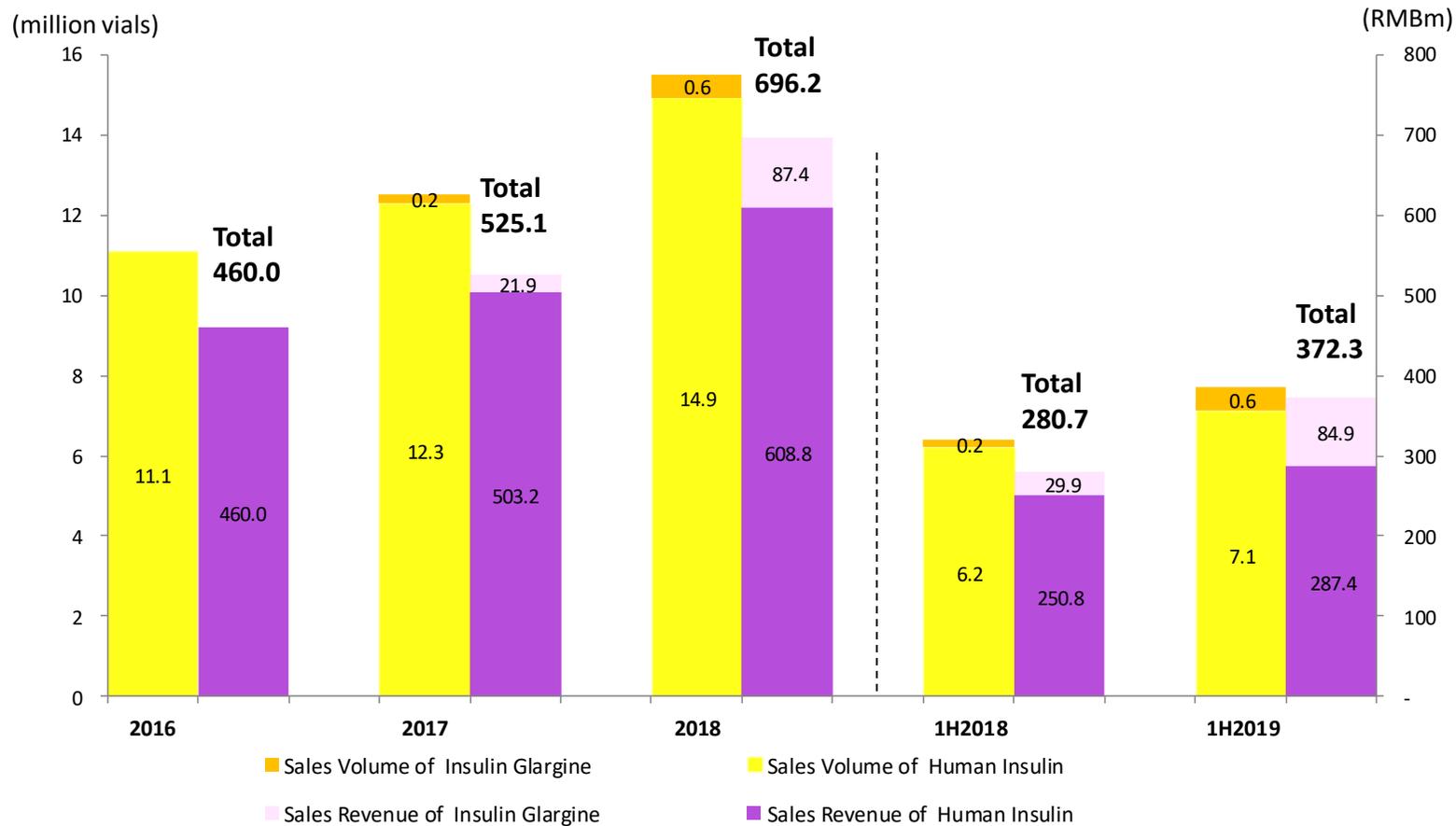


Insulin Glargine Injection

- ◆ Included in the "National Medical Insurance Drug List" (2019 version) & "National Essential Drug List"(2018 version)
- ◆ Two specifications including refilled pen-type and disposable pen-type
- ◆ Marketing and team expansion in progress
- ◆ Insulin Glargine recorded sales revenue of RMB84.9 million[#] in 1H2019

[#] Sales revenue denotes gross sales including sales discounts.

Sales Performance of Insulin Series

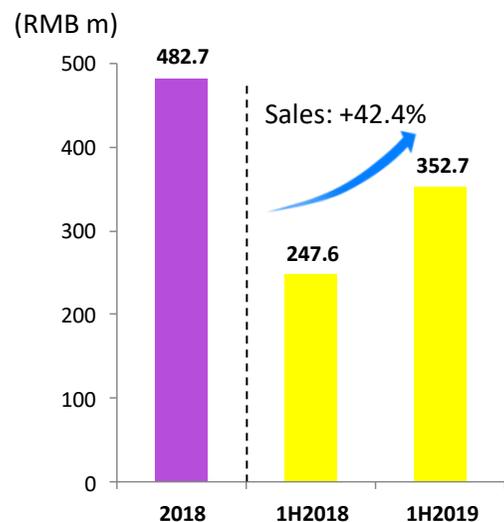


Business Review of Other Finished Products



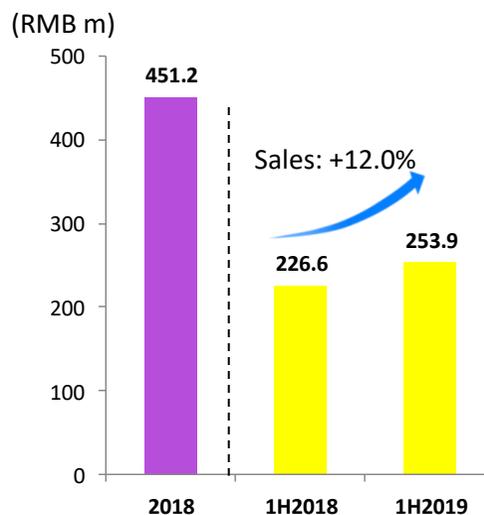
Piperacillin Sodium and Tazobactam Sodium for Injection

- ◆ Listed in National Essential Drugs List (2018 version)
- ◆ TLUL owns 5 specifications
- ◆ Sales achieved 42.4% growth to RMB352.7 million in 1H2019



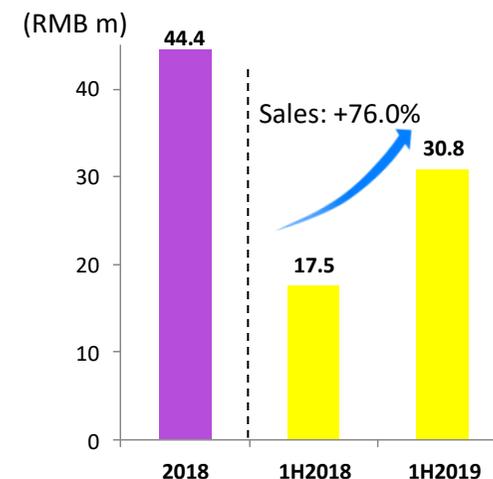
Amoxicillin Capsules

- ◆ TUL's Amoxicillin Capsules (0.25g) passed the consistency of quality and efficacy evaluation for generic drugs
- ◆ Sales achieved 12.0% growth to RMB253.9 million in 1H2019



Memantine Hydrochloride

- ◆ Listed in National Medical Insurance Drug List (2019 version)
- ◆ TUL was the first generic drug manufacturer of Memantine Hydrochloride in the PRC
- ◆ Sales achieved 76.0% growth to RMB30.8 million in 1H2019



- ◆ 32 new products were under research & development
 - ◆ 23 new products at the stage of pre-clinical-trial
 - ◆ 4 new products pending for clinical approval
 - ◆ 1 new products at the stage of clinical trial
 - ◆ 4 new products pending for production approval
 - ◆ Series of product include those diabetes, anti-hepatitis B and new drugs
- ◆ To leverage on R&D strengths to develop products with high margins and great demand

Chemical pharmaceutical R&D Department

- approx. 130 R&D personnels
- 16 types of chemical drugs at different R&D stages

Biological R&D Department

- approx. 150 R&D personnels
- 16 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



Therapeutic Area	New Products	Pre-Clinical	Clinical Trial Application	Clinical Trial	Production Application	Expected Approved
Diabetes	Insulin Aspart Injection					2020
	Insulin Aspart 30 Injection					2020
	Liraglutide Injection					2022
	Insulin Degludec Injection					2024
	Insulin Aspart 50 Injection					2022
	Insulin Degludec/Insulin Aspart					2024
	Insulin Degludec/Liraglutide					2024
	Semaglutide Injection					2027
	Ultra Long-acting GLP-1 Analog					--
	GLP-1 Oral Preparation					--
	Intelligent Insulin					--
Hepatitis B & AIDS	Tenofovir Disoproxil Fumarate Tablets					2021
Diabetes	Sitagliptin Phosphate Tablets					2022
	Viglietine Tablets					2022
Dermatosis	Mupirocin Ointment					2020
Xerophthalmia	Polyvinyl Alcohol Eye Drops					2021

Plant Capacity in 1H2019



	Designed Capacity	Utilization Rate	External Sales
Intermediate products (tonnes)			
• 6-APA	9,000	98.2%	29.7% ¹
• Penicillin G Potassium First Crystal (in BOU) ²	6,666,667	66.3%	100%
• T-Octylammonium Clavulanate	360	64.1%	N/A
Bulk medicine (tonnes)			
• Semi-synthetic penicillins type	10,000	81.5%	90%
• Cephalosporins type	600	67.5%	90%
• β -lactamase inhibitor antibiotics type	784	88.5%	90%
Finished products (mil)			
• Amoxicillin & Ampicillin capsules	770	105.3%	100%
• Tazobactam sodium and piperacillin sodium for injection	14	83.4%	100%

¹ Opening inventory is not included in calculating the percentage of external sales.

² 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.

Sales Volume



Types	Products	External Sales volume in 1H2019	External Sales volume in 1H2018	yoy change
Intermediate products (tonnes)	6-APA	2,626.1	3,411.8	-23.0%
	Penicillin G Potassium First Crystal (In BOU)	4,027,296	3,209,853	+25.5%
Bulk medicine (tonnes)	Semi-synthetic penicillins type	7,539.7	6,544.9	+15.2%
	Cephalosporins type	215.4	190.9	+12.8%
	β-lactamase inhibitors type	558.9	490.6	+13.9%
Finished products (million packs)	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) [#]	14.6	10.6	+37.7%
	Amoxicillin capsules(250/500mg) [#]	34.2	30.7	+11.4%
	Carbapenems for injection	2.0	1.8	+11.1%
	Recombinant human Insulin [#]	7.1	6.2	+14.2%
	Insulin Glargine [#]	0.61	0.21	+188.9%
	Memantine Hydrochloride	0.14	0.08	+75.0%

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

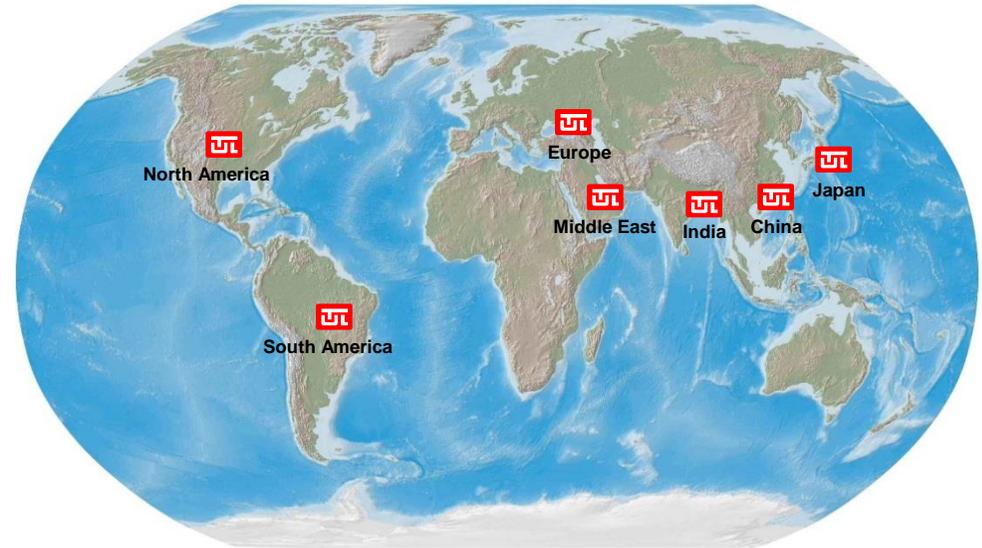
Average External Selling Price



Average External Selling Price [#]	1H2019	1H2018	y-o-y change
Intermediate products			
6-APA (RMB/kg)	135.1	176.3	-23.4%
Penicillin G Potassium First Crystal (RMB/BOU)	46.8	50.2	-6.8%
Bulk medicine (RMB/kg)			
Semi-synthetic penicillins type	159.5	157.2	+1.5%
Cephalosporins type	708.2	695.2	+1.9%
β-lactamase inhibitors type	830.2	837.6	-0.9%

[#]Selling price not including VAT and other tax

Extensive Sales and Distribution Network



Domestic Market

- ◆ Around 3,000 sales staff in 28 sales offices of finished products
- ◆ Cooperate with approx. 1,200 distributors
- ◆ Further penetrated into hospital, essential drugs market, OTC and rural areas

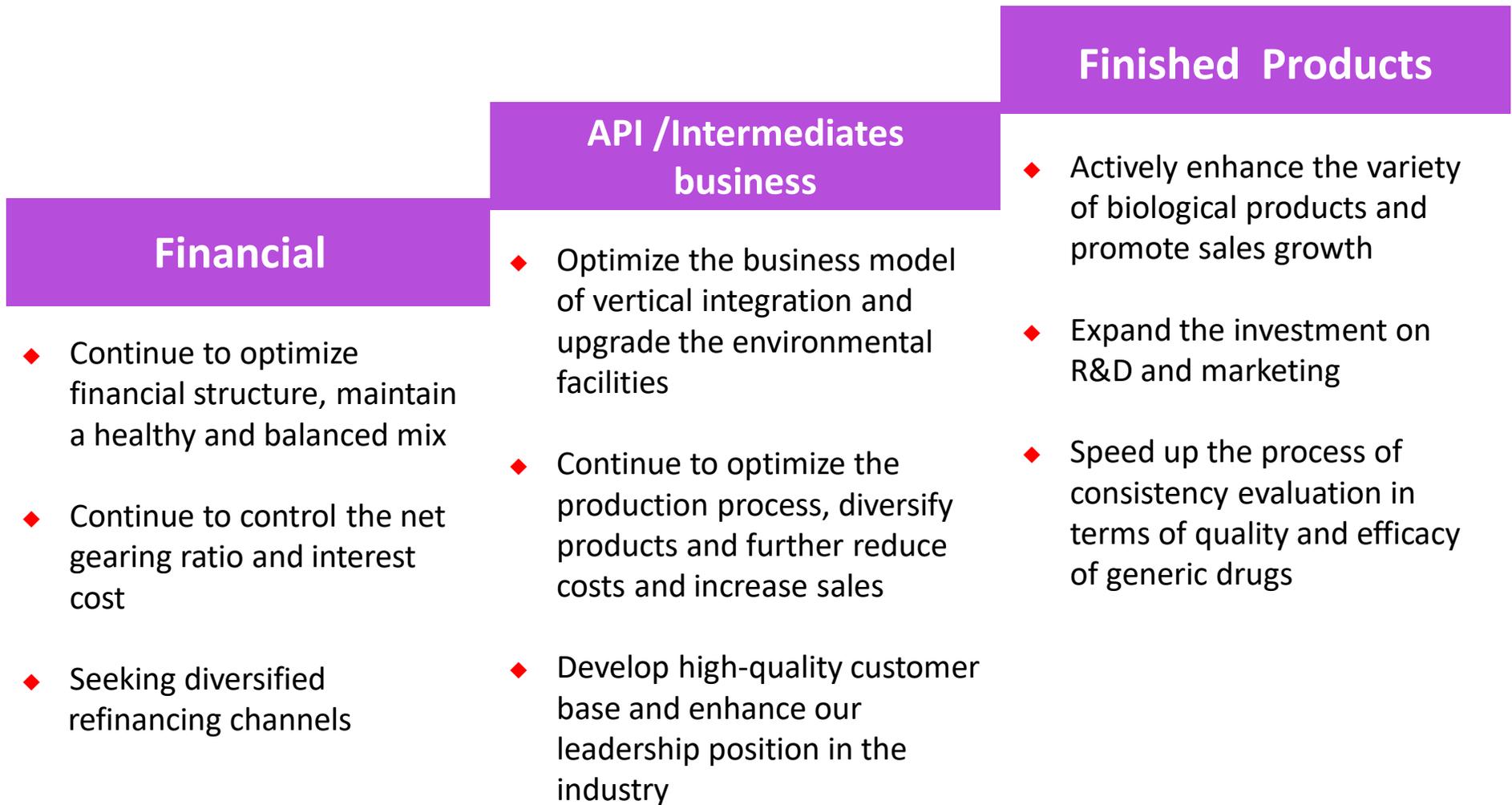
Overseas Markets

- ◆ Accounted for 29.1% of the Group total sales in 1H2019
- ◆ Sales of bulk products to Europe, India, Japan, Middle East, South America and other regions
- ◆ 11 European CEP certificates; 2 German GMP certificates; 1 Intermediate product and 5 bulk medicines received the approval from US FDA; 16 API approvals from India; 2 got Japanese GMP; 5 official approvals from Mexico



Section 4

Outlook & Strategies





Section 5

Q & A Session