

The United Laboratories International Holdings Limited

2014 Annual Results Announcement Corporate Presentation

March 2015





Results Snapshot



Financial Highlights



Business Review



Outlook & Strategies



Q & A



Section 1

Results Snapshot



2014 Annual Results Snapshot



- ◆ Turnover: +5.0 % to HK\$ 8,029.8 million
- ◆ Gross profit: +22.4% to HK\$ 3,228.4 million
- ◆ Profit attributable to equity holders: +1,317.8% to HK\$681.1 million; Adjusted core business profit: +35.5% to HK\$544.9 million
- ◆ Segment margin compared with 2013
 - ◆ Intermediate products: from 1.8% to 5.8%
 - ◆ Bulk medicine: from 1.0% to 7.0%
 - ◆ Finished products: from 20.4% to 22.7%
- ◆ Finished products achieved 8.0% growth in turnover
- ◆ Insulin series recorded remarkable sales of HK\$216.8 million
- ◆ Finished products including Insulin series achieved encouraging results in recent provincial tenders
 - ◆ 40 regulations won biddings in Hunan Province
 - ◆ 21 regulations won biddings in Zhejiang Province
- ◆ Overseas sales: - 2.8 % to HK\$2,628.9 million, accounting for 32.7% of total sales
- ◆ United Laboratories (Chengdu) got the approval of change of land use and received a financial subsidy of approx. HK\$390.7 million granted by the government in Mar 2014
- ◆ Optimized financial structure through various financing channels
 - ◆ The Group's net gearing ratio reduced from 87.1% as at 31 Dec 2013 to 72.3% as at 31 Dec 2014
 - ◆ Granted with a 3-year loan totally HK\$600 million from China Development Bank Corporation in Jan 2015
 - ◆ Established a bond issue programme with a term of three years in an aggregate principal amount of up to HK\$1,000 million in Jan 2015



Section 2

Financial Highlights

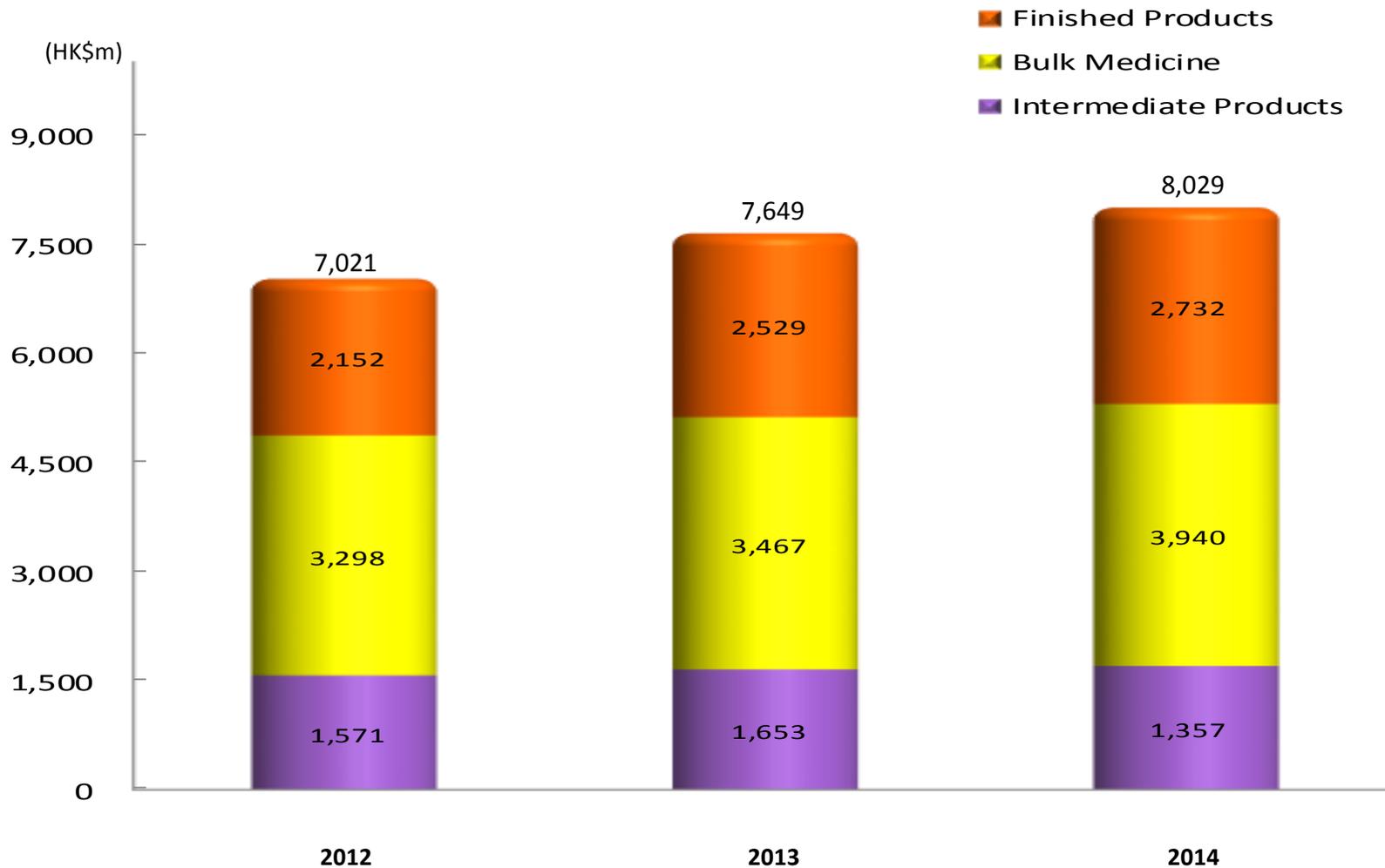


Financial Overview

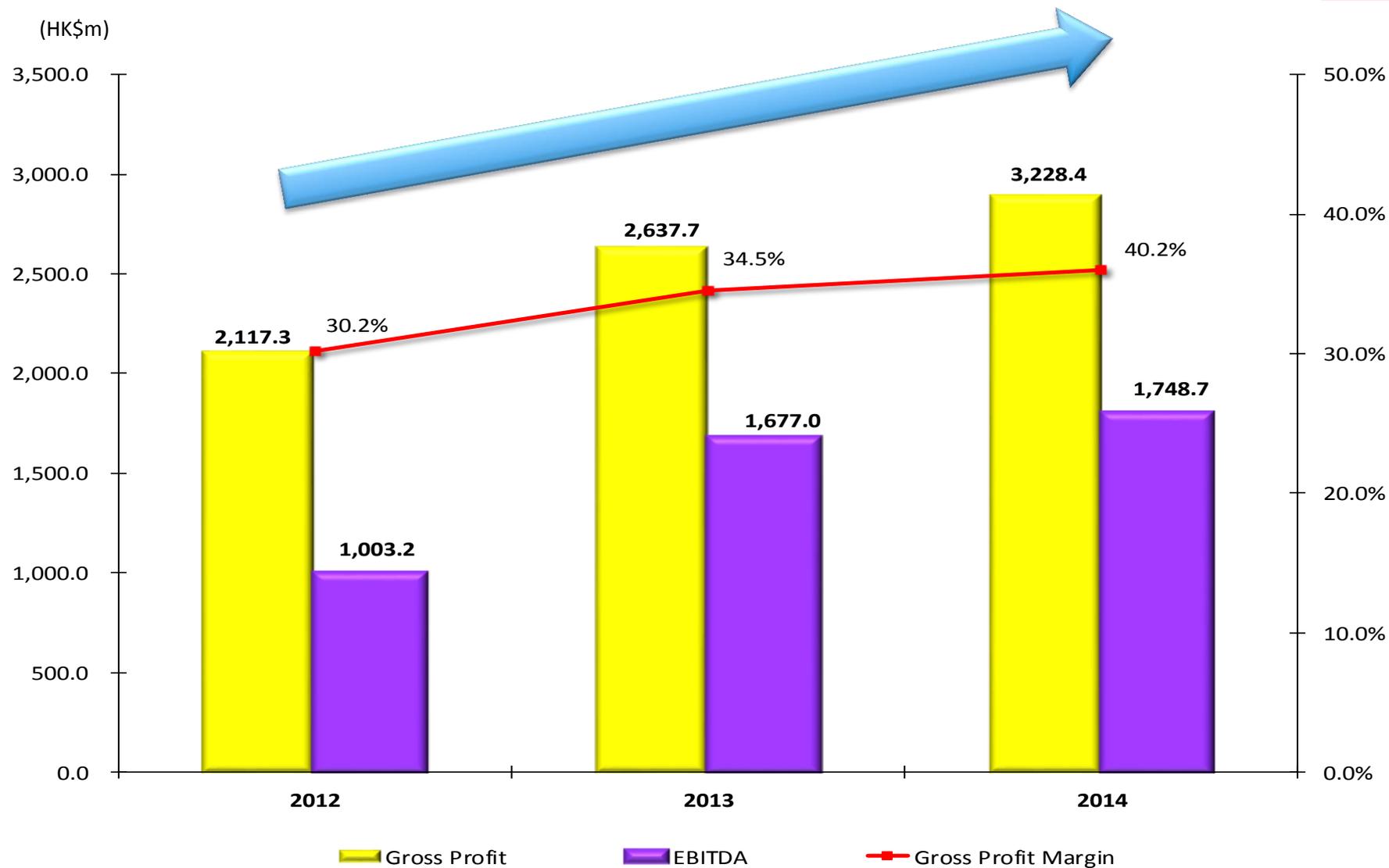


HK\$ million	2014	2013	yoy change
Revenue	8,029.8	7,648.4	+5.0%
Gross Profit	3,228.4	2,637.7	+22.4%
EBITDA	1,748.7	1,677.0	+4.3%
Profit Attributable to Equity Holders	681.1	48.0	+1,317.8%
❖ Removal costs upon cessation of production in Chengdu	4.9	65.0	-92.5%
❖ Temporary production suspension costs in Chengdu	-	122.3	N/A
❖ Impairment loss recognised in respect of property, plant and equipment	110.1	808.4	-86.4%
❖ Loss / (gain) on fair value change on investment properties	315.7	(1,355.3)	-123.3%
❖ Deferred tax (assets) / liabilities on fair value change of investment properties	(179.2)	713.2	-125.1%
❖ Subsidy income	(390.7)	-	N/A
❖ Loss on fair value change of derivative components of convertible bonds	3	0.4	+650%
Adjusted core business profit	544.9	402.0	+35.5%
EPS (HK cents)			
- Basic	41.86	2.95	+1,319.0%
- Diluted	41.86	2.95	+1,319.0%

Revenue



Gross Profit, EBITDA & Gross Profit Margin



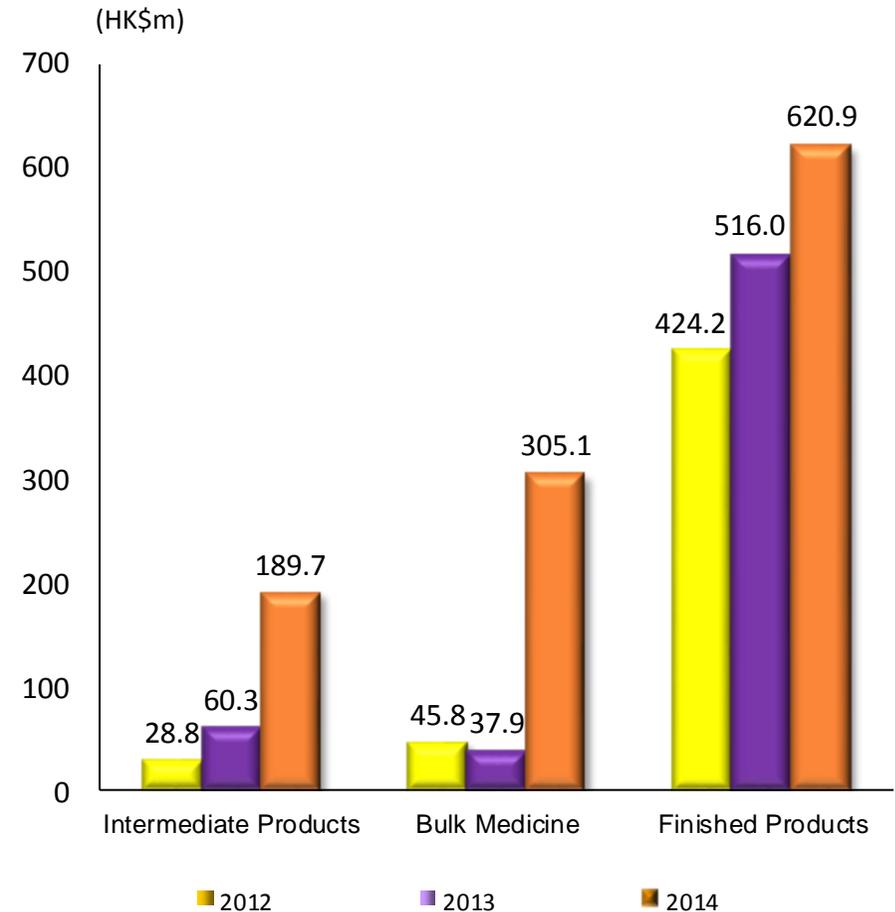
Segment Profit



Segment Profit Breakdown			
	2014	2013	2012
Intermediate Products	17.0%	9.8%	5.8%
Bulk Medicine	27.4%	6.2%	9.2%
Finished Products	55.6%	84.0%	85.0%

Segment Margin			
	2014	2013	2012
Intermediate Products	5.8%	1.8%	1.0%
Bulk Medicine	7.0%	1.0%	1.3%
Finished Products	22.7%	20.4%	19.7%

Segment Profit



Other Key Financial Indicators



	As at 31 Dec 2014	As at 31 Dec 2013
Trade and bills receivable turnover (days)	118.0	131.0
Trade and bills payable turnover (days)	157.3	141.2
Stock turnover (days)	107.8	92.6
Current ratio	0.74	0.66
Net Gearing ratio ⁽¹⁾	72.3%	87.1%
Cash and cash equivalents (HK\$ 'million)	1,003.1	1,080.7
Total assets (HK\$ 'million)	18,918.2	19,600.2

(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

	2014	2013
Net cash from operating activities (HK\$ million)	1,843.8	1,479.5



Section 3

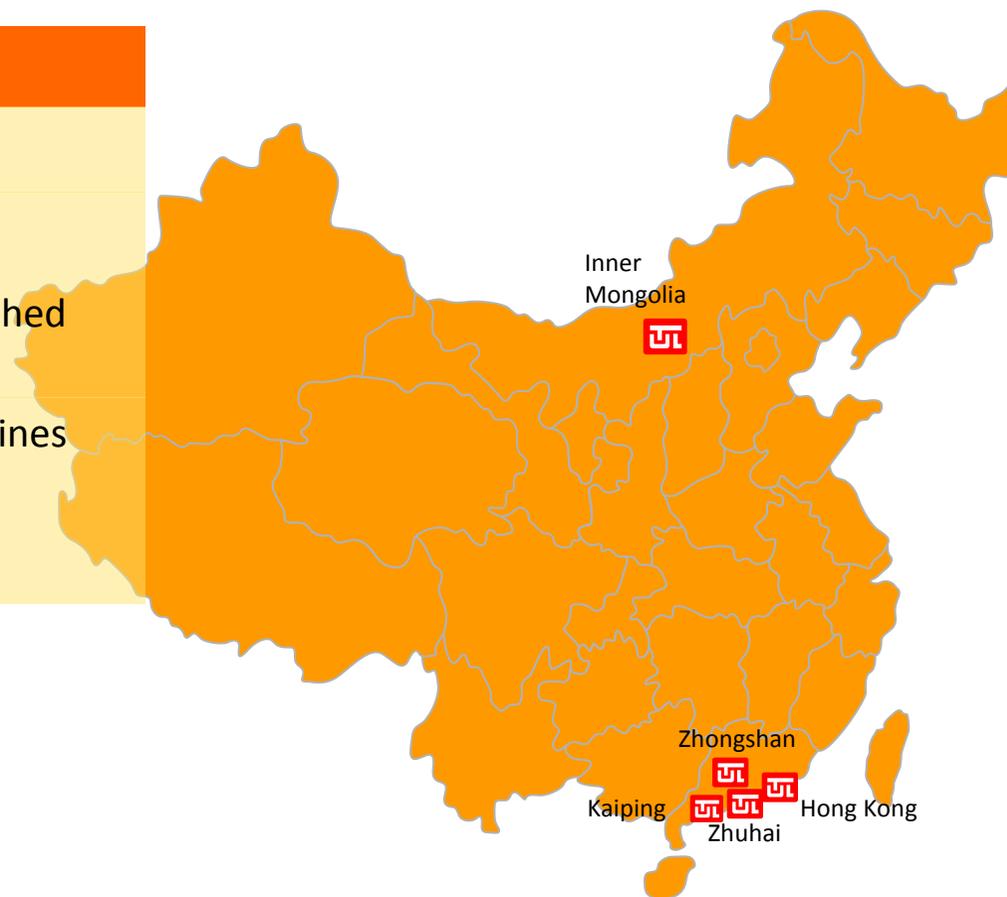
Business Review



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 2014



	Designed Capacity	Utilization Rate	External Sales
<i>Intermediate products (tonnes)</i>			
• 6-APA	21,000	72.7%	46%
• T-Octylammonium Clavulanate	720	44.4%	N/A
<i>Bulk medicine (tonnes)</i>			
• Semi-synthetic penicillins type	20,000	64.2%	95%
• Cephalosporins type	1,200	90.3%	90%
• β - lactamase inhibitor antibiotics type	1,568	79.0%	90%
<i>Finished products (mil)</i>			
• Amoxicillin & Ampicillin capsules	1,540	82.5%	100%
• Amoxicillin granules	161.2	62.8%	100%
• β - lactamase inhibitor antibiotics	143.2	89.1%	100%

Sales Volume



Types	Products	Sales volume in 2014	Sales volume in 2013	yoy change
Intermediate products (tonnes)	6-APA	7,011.0	8,274.8	-15.3%
Bulk medicine (tonnes)	Semi-synthetic penicillins type	12,166.5	11,970.6	+1.6%
	Cephalosporins type	630.9	378.4	+66.7%
	β- lactamase inhibitors type	901.0	582.2	+54.8%
Finished products (million packs)	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) (bottles)	14.1	12.1	+16.5%
	Amoxicillin capsules (250/500mg) [#]	48.4	43.2	+12.0%
	Ampicillin capsules (250/500mg)	20.6	22.0	-6.4%
	Ibuprofen capsules	6.9	6.3	+9.5%
	Insulin	4.5	2.5	+80.0%
	Memantine Hydrochloride	0.01	-	N/A
	VC effervescent tablets	1.8	1.3	+38.5%
Eye drops [#]	10.7	8.3	+28.9%	

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



Average External Selling Price

Average External Selling Price#	2014	2013	y-o-y change
Intermediate products (RMB/kg)			
6-APA	150.5	142.8	+5.4%
Bulk medicine (RMB/kg)			
Semi-synthetic penicillins type	166.5	162.3	+2.6%
Cephalosporins type	639.2	658.9	-3.0%
β- lactamase inhibitors type	701.7	797.1	-12.0%

#Selling price not including VAT and other 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 x 24 tablets	13.7	7.4	+85%
Amoxicillin Capsules 500mg x 24 tablets	23.3	12.6	+85%
Ampicillin Capsules 500mg x 24 tablets	23.8	-	-
Ampicillin Capsules 250mg x 24 tablets	14.0	5.7	+146%

Vertical Integration



Intermediate products, accounted for 16.9% of total external sales in 2014

6-APA (>60%#)

16.9%

T-Octylammonium Clavulanate

N/A

Bulk medicine, accounted for 49.1% of total external sales in 2014

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



32.2%

Cephalosporins type



6.4%

β - lactamase inhibitors type



9.9%

Carbapenems type

0.6%

Insulin API

N/A

Finished products, accounted for 34.0% of total external sales in 2014

Semi-synthetic penicillins antibiotics



10.5%

Cephalosporins antibiotics



4.0%

β -lactamase inhibitors antibiotics



8.6%

Carbapenems antibiotics



1.0%

Insulin products



2.7%

Others (including capsule casings)



7.2%

#Chinese market share

Business Review of Insulin Series

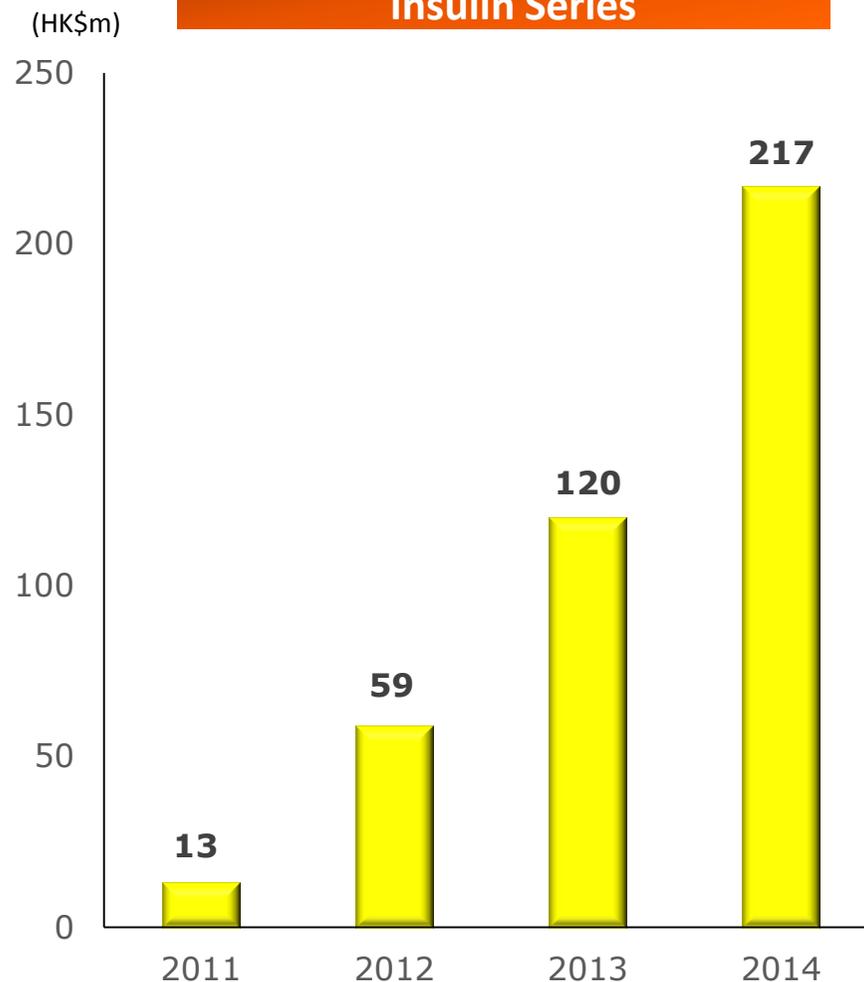


Insulin series will continue to be the Group's key products

- ◆ 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
- ◆ 2014 outstanding sales performance from Shandong, Henan, Liaoning, Jilin and Fujian
- ◆ The proposed bidding result for each regulation was more than 20 provinces and municipalities
- ◆ Contributing approx. HK\$216.8 million to the Group’s revenue
- ◆ Insulin Glargin (甘精胰岛素): pending for production permit, expected to market launch in 2015
- ◆ Insulin Aspart (门冬胰岛素): finished clinical trial in 2014



Strong Sales Performance of Insulin Series





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



Biapenem for injection obtained drug registration certificate issued by SFDA in Jun 2014

- ◆ Biapenem is a new generation of carbapenems which is a kind of high-end antibiotics
- ◆ TUL became one of the top five manufacturers of Biapenem in domestic market
- ◆ TUL's carbapenems series included Imipenem, Meropenem and Biapenem
- ◆ Carbapenems series achieved HK\$82 million sales

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

- ◆ More flavor choices and new drinking experience
- ◆ The original VC product of orange flavor achieved HK\$32.9 million sales in 2014



Research & Development



- ◆ 56 new products were under development, in which 9 in the process of patent registration and 16 patents approved by the government

- ◆ 37 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 personnel
- 43 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

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

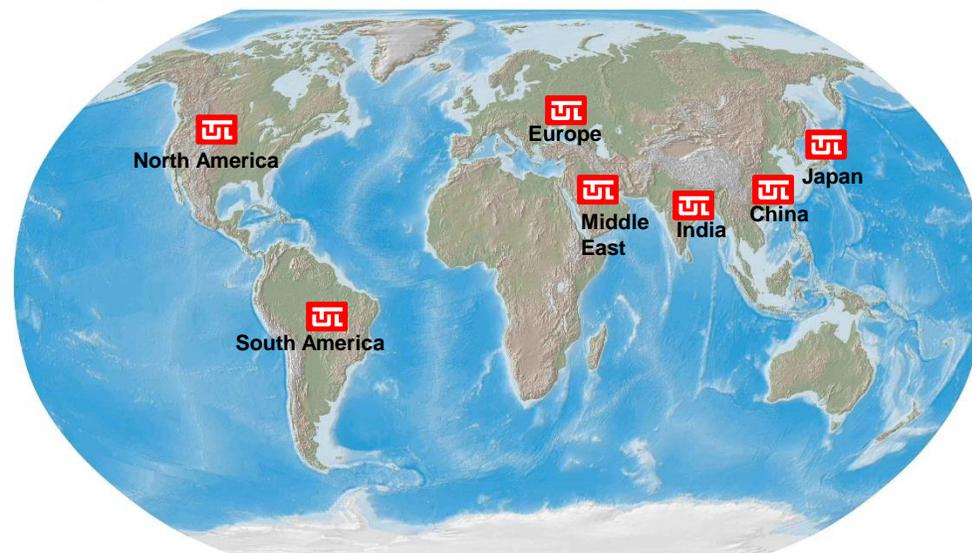
Pipeline of Chemical Pharmaceutical Product



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
Levetiracetam Tablets 左乙拉西坦片	Pending for production permit	Anti-epileptic
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
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

New products in R&D process are partially listed.

Extensive Sales and Distribution Network



Domestic Market

- ◆ Around 3,000 sales staff in 28 sales offices of finished products as at 31 Dec 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 32.7% of the Group total sales in 2014
- ◆ Sales of bulk products to North America, Europe, India, Japan, Middle East, South America and other regions
- ◆ 10 European CEP certificates, 5 Bulk Medicines and 1 Finished Product received the FDA approval from US, 16 API approvals from India, 8 approvals from Russia, 2 got Japanese GMP, 2 official approvals from Mexico



»» Section 4

Outlook & Strategies





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

Financial

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



Section 5

Q & A Session

