

**The United Laboratories
International Holdings Limited**

2015 Annual Results Announcement Corporate Presentation

March 2016





Results Snapshot



Financial Highlights



Business Review



Outlook & Strategies



Q & A



Section 1

Results Snapshot



2015 Annual Results Snapshot



- ◆ Turnover: -4.2% to HK\$7,694.6 million
- ◆ Gross profit: -8.3% to HK\$2,961.2 million
- ◆ Profit attributable to equity holders: -83.8% to HK\$110.4 million; Adjusted core business profit: -43.4% to HK\$313.9 million
- ◆ Utilization rate of 6-APA slightly increased at 74.5%; 6-APA successfully passed the registration of U.S. FDA
- ◆ Insulin series sales achieved 84.3% growth to HK\$400 million
- ◆ Finished products maintained 0.35% growth in turnover
- ◆ Finished products including Insulin products achieved encouraging results in the new round of tendering
- ◆ Overseas sales: -8.1% to HK\$2,415.0 million, accounting for 31.4% of total sales
- ◆ The Group's net gearing ratio reduced from 72.3% as at 31 Dec 2014 to 60.2% as at 31 Dec 2015
- ◆ Saving finance costs
 - ◆ Minimize financing through bills discounting and the decrease of the PBOC interest rates during the year
 - ◆ The Group saved finance costs by around HK\$74 million in 2015
- ◆ Effect of significant depreciation of RMB in 2H 2015
 - ◆ The Group suffered loss on fair value change on USD foreign currency forward contracts around HK\$ 175 million
- ◆ The United Laboratories ranked No.23 among the 2014 Top 100 Chinese Pharmaceutical Companies published by SMERI



Section 2

Financial Highlights

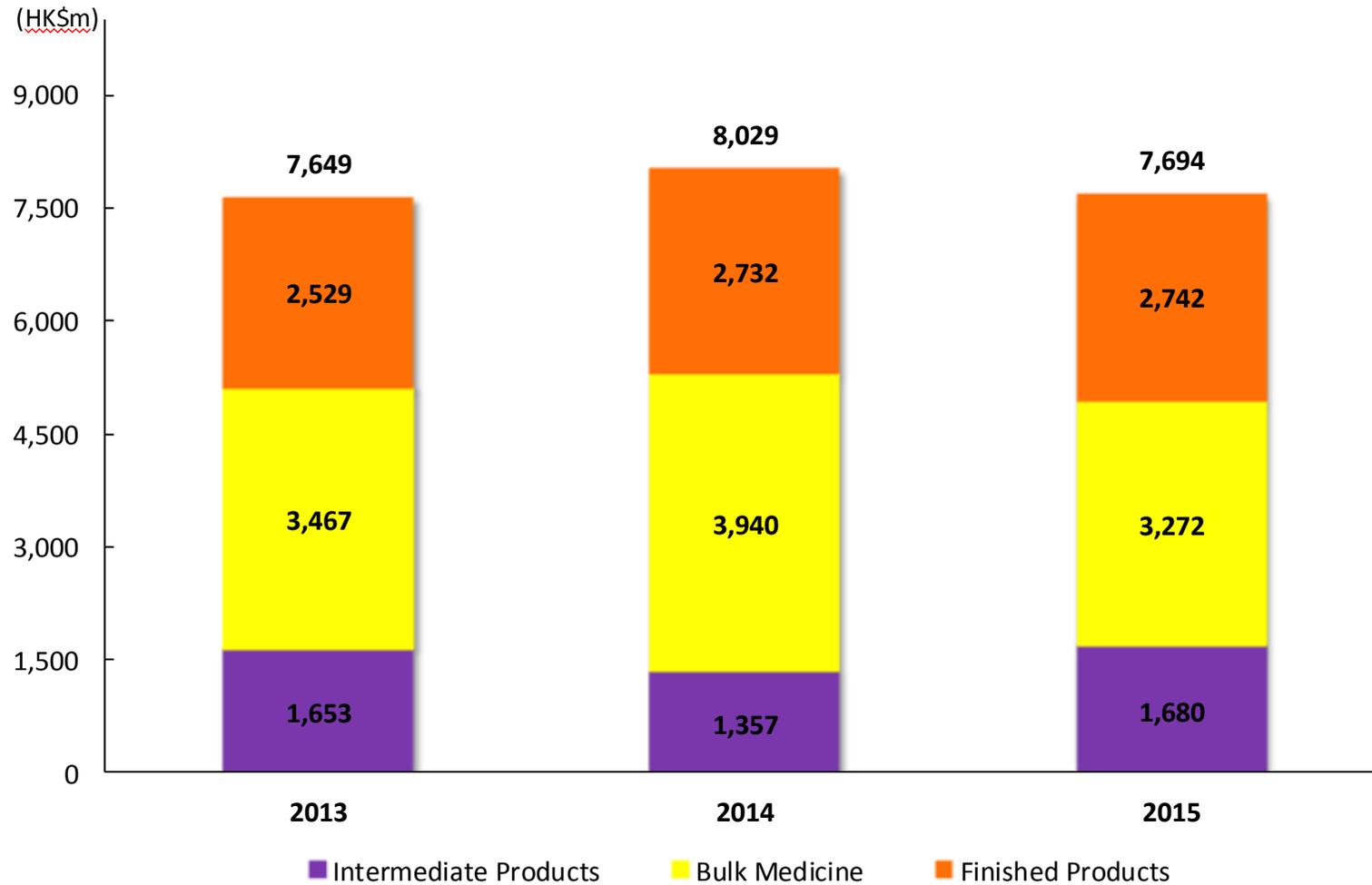


Financial Overview

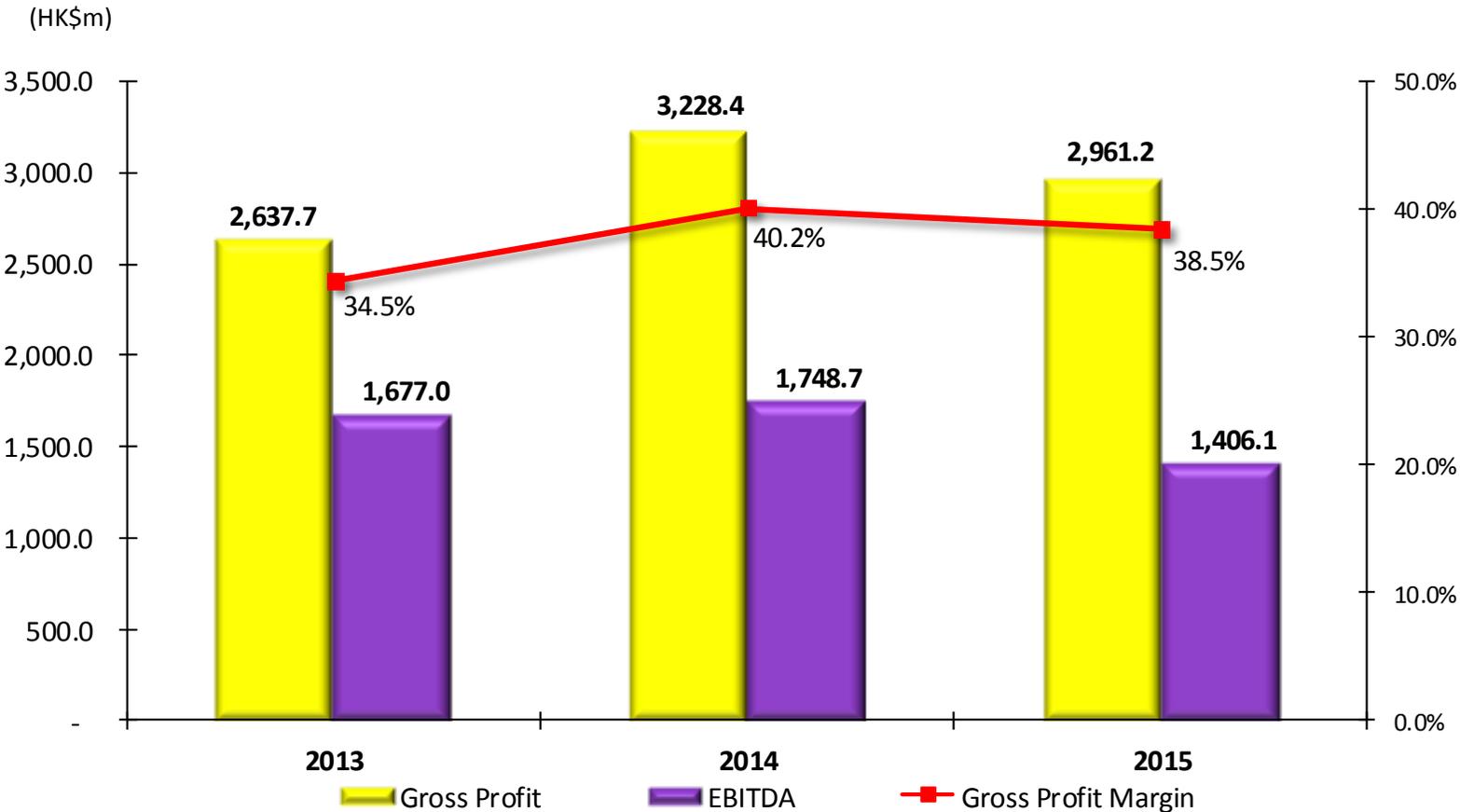


HK\$ million	2015	2014	yoy change
Revenue	7,694.6	8,029.8	-4.2%
Gross Profit	2,961.2	3,228.4	-8.3%
EBITDA	1,406.1	1,748.7	-19.6%
Profit Attributable to Equity Holders	110.4	681.1	-83.8%
❖ Removal costs upon cessation of production in Chengdu	-	4.9	-100.0%
❖ Impairment loss recognised in respect of property, plant and equipment	0.6	110.1	-99.5%
❖ Loss on fair value change on investment properties	80.0	315.7	-74.7%
❖ Deferred tax assets on fair value change of investment properties	(44.8)	(179.2)	-75.0%
❖ Subsidy income	-	(390.7)	N/A
❖ (Gain) / loss on fair value change of derivative components of convertible bonds	(6.8)	3.2	+312.5%
❖ Loss on fair value change on forwards contracts	174.5	9.3	+1776.3%
<u>Adjusted core business profit</u>	313.9	554.4	-43.4%
EPS (HK cents)			
- Basic	6.78	41.86	-83.8%
- Diluted	6.78	41.86	-83.8%

Revenue



Gross Profit, EBITDA & Gross Profit Margin



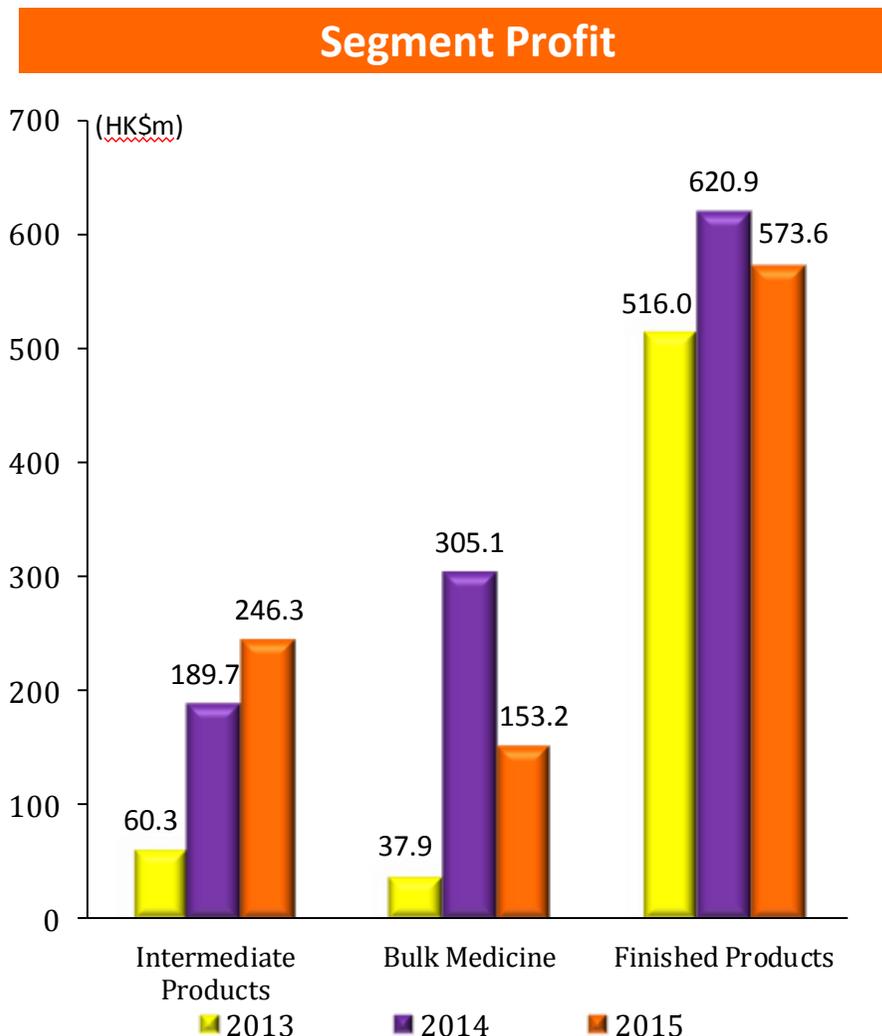
Business Segment Results & Margins



Segment Profit Breakdown			
	2015	2014	2013
Intermediate Products	25.3%	17.0%	9.8%
Bulk Medicine	15.8%	27.4%	6.2%
Finished Products	58.9%	55.6%	84.0%
Total	100%	100%	100%

Segment Margin (EBIT#)			
	2015	2014	2013
Intermediate Products	7.9%	5.8%	1.8%
Bulk Medicine	4.2%	7.0%	1.0%
Finished Products	20.9%	22.7%	20.4%

EBIT: Earnings before interest and taxation.



Other Key Financial Indicators



	As at 31 Dec 2015	As at 31 Dec 2014
Trade and bills receivable turnover (days)	94.2	118.0
Trade and bills payable turnover (days)	129.8	157.3
Stock turnover (days)	109.1	107.8
Current ratio	0.68	0.74
Net Gearing ratio [#]	60.2%	72.3%
Cash and cash equivalents (HK\$ 'million)	1,114.5	1,003.1
Total assets (HK\$ 'million)	17,407.9	18,918.2

[#] 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

	2015	2014
Net cash from operating activities (HK\$ 'million)	1,809.6	1,750.4



Section 3

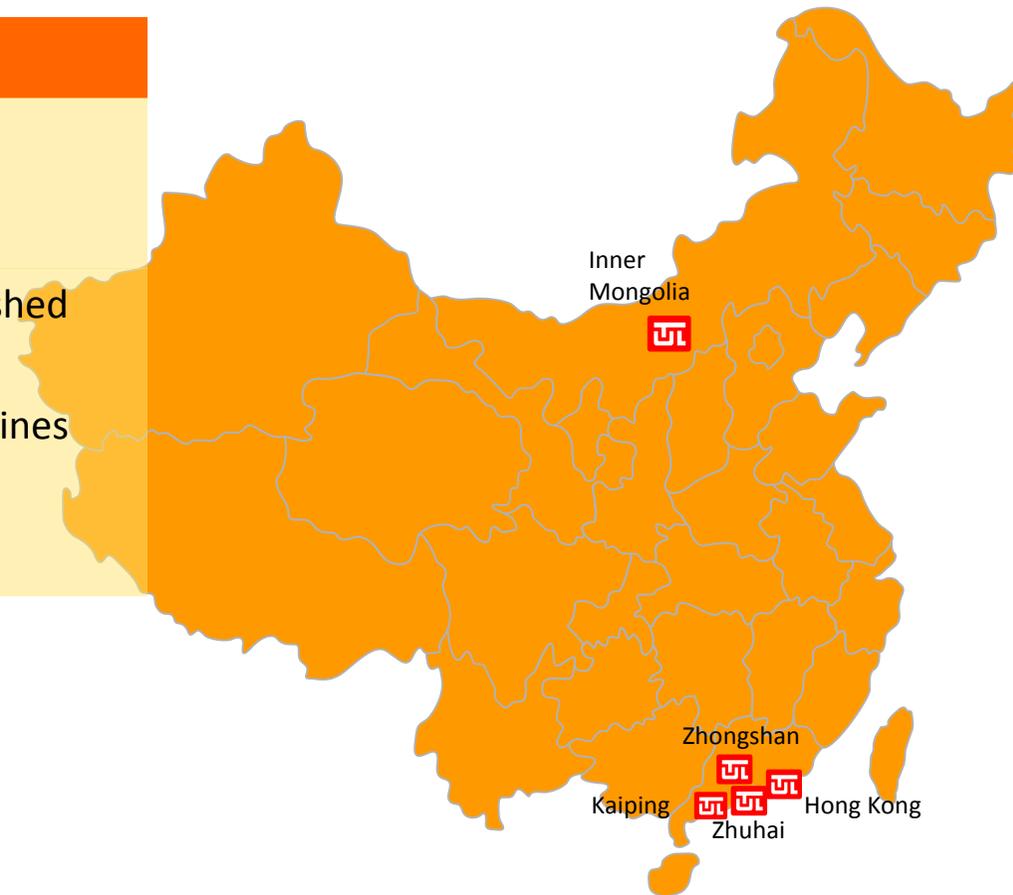
Business Review



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 2015



	Designed Capacity	Utilization Rate	External Sales
<i>Intermediate products (tonnes)</i>			
• 6-APA	24,000	74.5%	53%
• T-Octylammonium Clavulanate	720	33.5%	N/A
<i>Bulk medicine (tonnes)</i>			
• Semi-synthetic penicillins type	20,000	55.4%	90%
• Cephalosporins type	1,200	68.9%	90%
• β - lactamase inhibitor antibiotics type	1,568	69.2%	90%
<i>Finished products (mil)</i>			
• Amoxicillin & Ampicillin capsules	1,540	71.0%	100%
• Amoxicillin granules	161.2	54.8%	100%
• β - lactamase inhibitor antibiotics	143.2	87.9%	100%

Sales Volume



Types	Products	Sales volume in 2015	Sales volume in 2014	yoy change
Intermediate products (tonnes)	6-APA	9,158.9	7,011.0	+30.6%
Bulk medicine (tonnes)	Semi-synthetic penicillins type	10,179.0	12,166.5	-16.3%
	Cephalosporins type	456.2	630.9	-27.7%
	β- lactamase inhibitors type	1,000.4	901.0	+11.0%
Finished products (million packs)	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) (bottles)	16.1	14.1	+14.2%
	Amoxicillin capsules (250/500mg) [#]	46.7	48.4	-3.5%
	Ampicillin capsules (250/500mg)	19.2	20.6	-6.8%
	Carbapenems for Injection	1.7	1.4	+21.4%
	Insulin	7.1	4.5	+57.8%
	VC effervescent tablets	1.9	1.8	+5.6%
	Eye drops [#]	11.8	10.7	+10.3%

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

Average External Selling Price



Average External Selling Price [#]	2015	2014	y-o-y change
Intermediate products (RMB/kg)			
6-APA	147.5	150.5	-2.0%
Bulk medicine (RMB/kg)			
Semi-synthetic penicillins type	155.3	166.5	-6.7%
Cephalosporins type	671.2	639.2	+5.0%
β- lactamase inhibitors type	662.9	701.7	-5.5%

[#]Selling price not including VAT and other tax

Vertical Integration



Intermediate products, accounted for 21.8% of total external sales in 2015

6-APA (70-80%#) 21.8%	T-Octylammonium Clavulanate N/A
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Bulk medicine, accounted for 42.6% of total external sales in 2015

Semi-synthetic penicillins type (50-60%#)  25.8%	Cephalosporins type  5.0%	β -lactamase inhibitors type  10.7%	Carbapenems type  1.1%	Insulin API  N/A
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Finished products, accounted for 35.6% of total external sales in 2015

Semi-synthetic penicillins antibiotics  10.5%	Cephalosporins antibiotics  3.2%	β -lactamase inhibitors antibiotics  9.1%	Carbapenems antibiotics  1.6%	Insulin products  4.7%	Others (including capsule casings)  6.5%
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#Chinese market share

Business Review of Insulin Series

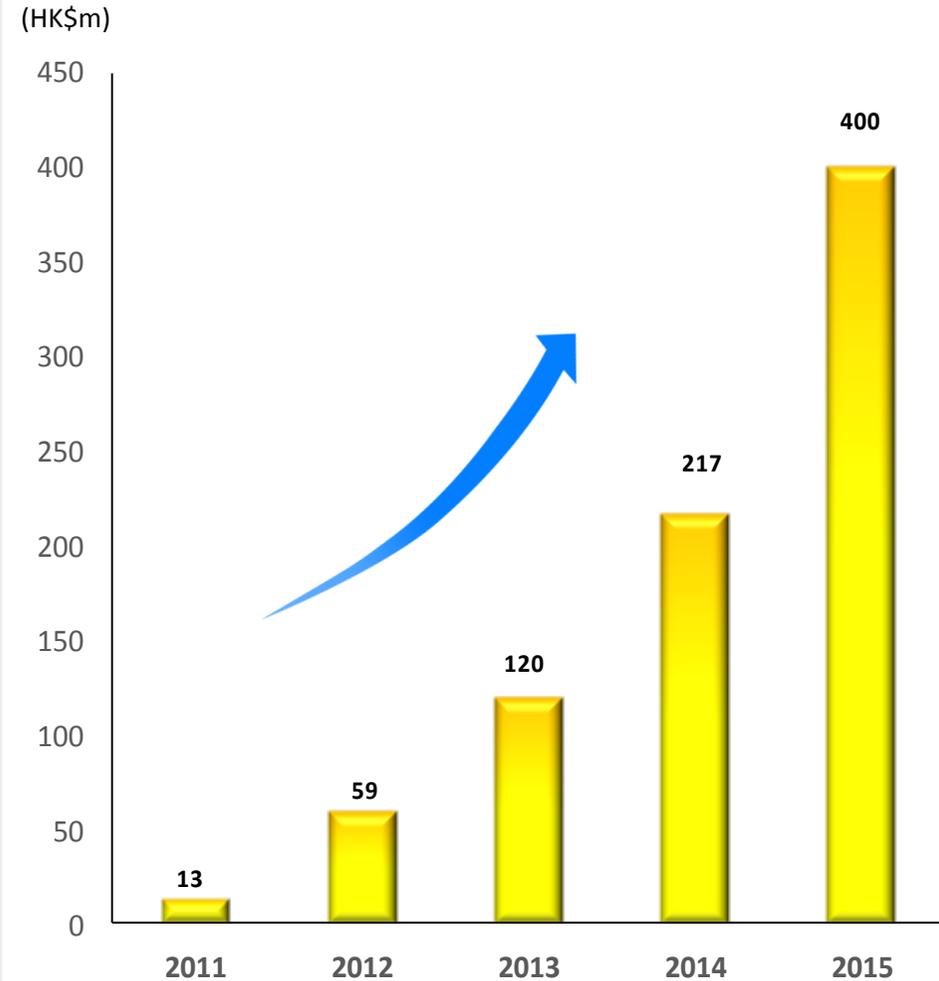


Insulin series will continue to be the Group's key products

- ◆ 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
- ◆ 2015 outstanding sales performance from Shandong, Henan, Anhui 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



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 ranking no.1 of finished product, contributing HK\$467.5 million in 2015



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 49.5% growth to HK\$122.6 million



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 11 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



TUL will continue to expand the sales of eye drops series

- ◆ TUL's eye drops were partially listed in Insurance Catalogue (2009 version)
- ◆ Eye drops series achieved HK\$164.5 million sales in 2015

- ◆ 52 new products were under development, in which 11 in the process of patent registration and 18 patents approved by the government

- ◆ 31 new products at the stage of pre-clinical-trial
- ◆ 12 new products at the stage of clinical trial
- ◆ 9 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
- 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



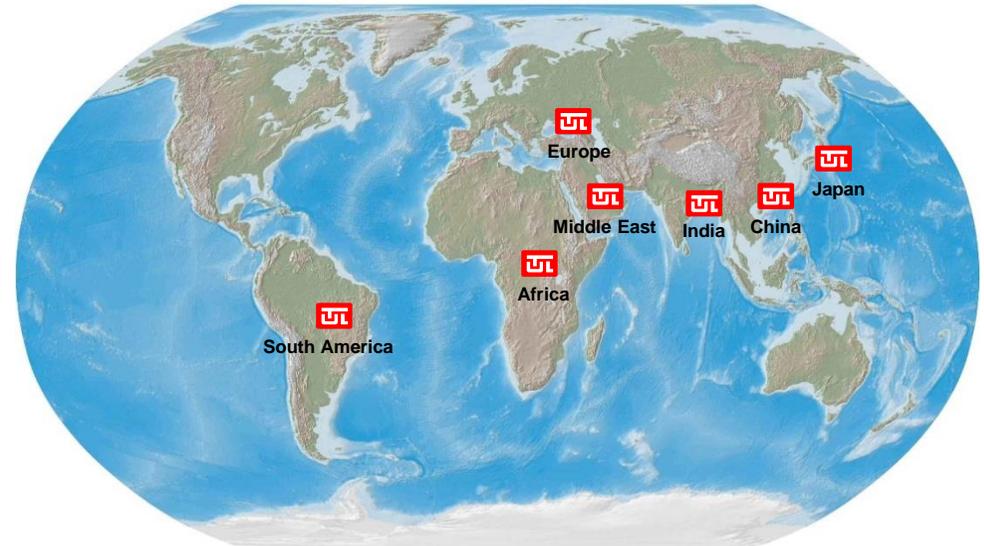
New Products	R & D Progress	Main curative effects
Insulin Glargine Injection 第三代甘精胰岛素注射液（长效）	Pending for production permit	For treatment of type I & II diabetes
Insulin Aspart Injection 第三代门冬胰岛素注射液（超速效）	Clinical trial finished	For treatment of type I & II diabetes
Insulin Detemir Injection 第三代地特胰岛素注射液（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 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-AIDS & Anti-hepatitis B
Tadalafil Tablets 他达拉非片	Approval for clinical permit	For treatment of erectile dysfunction
Doripenem for injection 注射用多利培南	Approval for clinical permit	Anti-infection
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 31 Dec 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 31.4% of the Group total sales in 2015
- ◆ Sales of bulk products to Europe, India, Japan, Middle East, South America, Africa, SEA and other regions
- ◆ 10 European CEP certificates; 7 bulk medicine, 1 intermediate product and 1 finished product received approvals from U.S.FDA; 17 API approvals from India; 9 approvals from Russia; 3 approvals from Japan; 5 Mexican GMP certificates



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, diversify products, 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



Section 5

Q & A Session

