

The United Laboratories  
International Holdings Limited

# 2016 Annual Results Announcement Corporate Presentation

March 2017





**Results Snapshot**



**Financial Highlights**



**Business Review**



**Outlook & Strategies**



**Q & A**



# Section 1

---

## Results Snapshot



# 2016 Annual Results Snapshot



- ◆ Turnover: -8.2% to HK\$7,062.6 million
- ◆ Gross profit: -15.0% to HK\$2,516.6 million
- ◆ Loss attributable to equity holders: HK\$311.3 million (2015: Profit HK\$110.4 million)
- ◆ Adjusted core business loss: HK\$13.4 million (2015: Profit HK\$409.3 million)
- ◆ The Group turned from loss to profit in Q4
- ◆ Segment margin compared with 2015
  - ◆ Intermediate products: from 7.9% to -8.8%
  - ◆ Bulk medicine: from 4.2% to 5.3%
  - ◆ Finished products: from 20.9% to 23.7%
- ◆ Finished products maintained stable in turnover
- ◆ Recombinant Human Insulin sales achieved 33.8% growth to HK\$535 million (equivalent to 45.1% growth to RMB 460 million)
- ◆ Insulin Glargin finished products including refilled pen-type and disposable pen-type have been approved by CFDA in Jan 2017
- ◆ Overseas sales: -21.2% to HK\$1,904.0 million, accounting for 26.9% of total sales
- ◆ The Group's net gearing ratio reduced from 60.2% as at 31 Dec 2015 to 55.4% as at 31 Dec 2016
- ◆ The Group's net current liabilities decreased by 60.1 % as at 31 Dec 2016 to HK\$1,076.8 million (31 Dec 2015: HK\$2,697.3 million)



# Section 2

---

## Financial Highlights



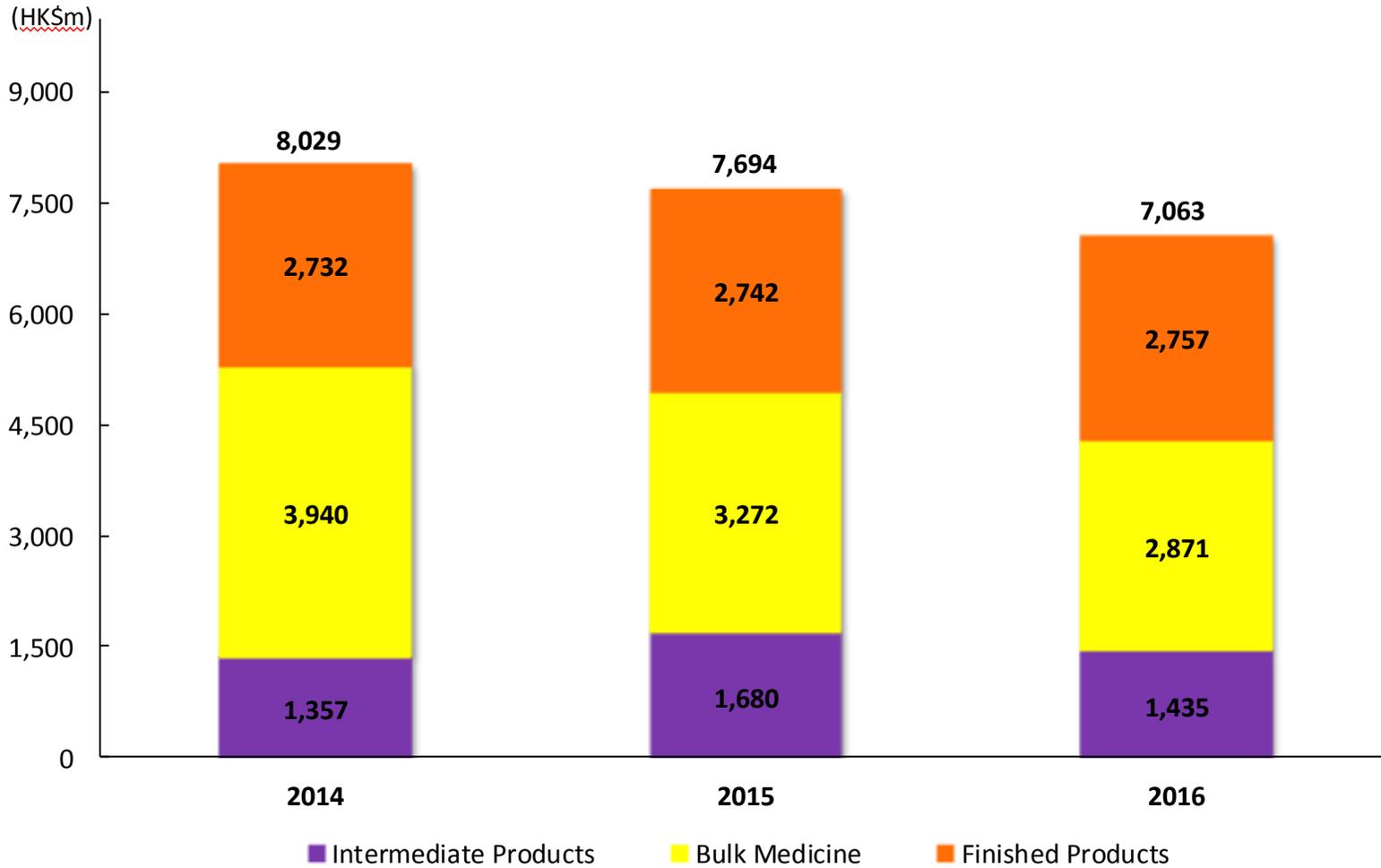
# Financial Overview



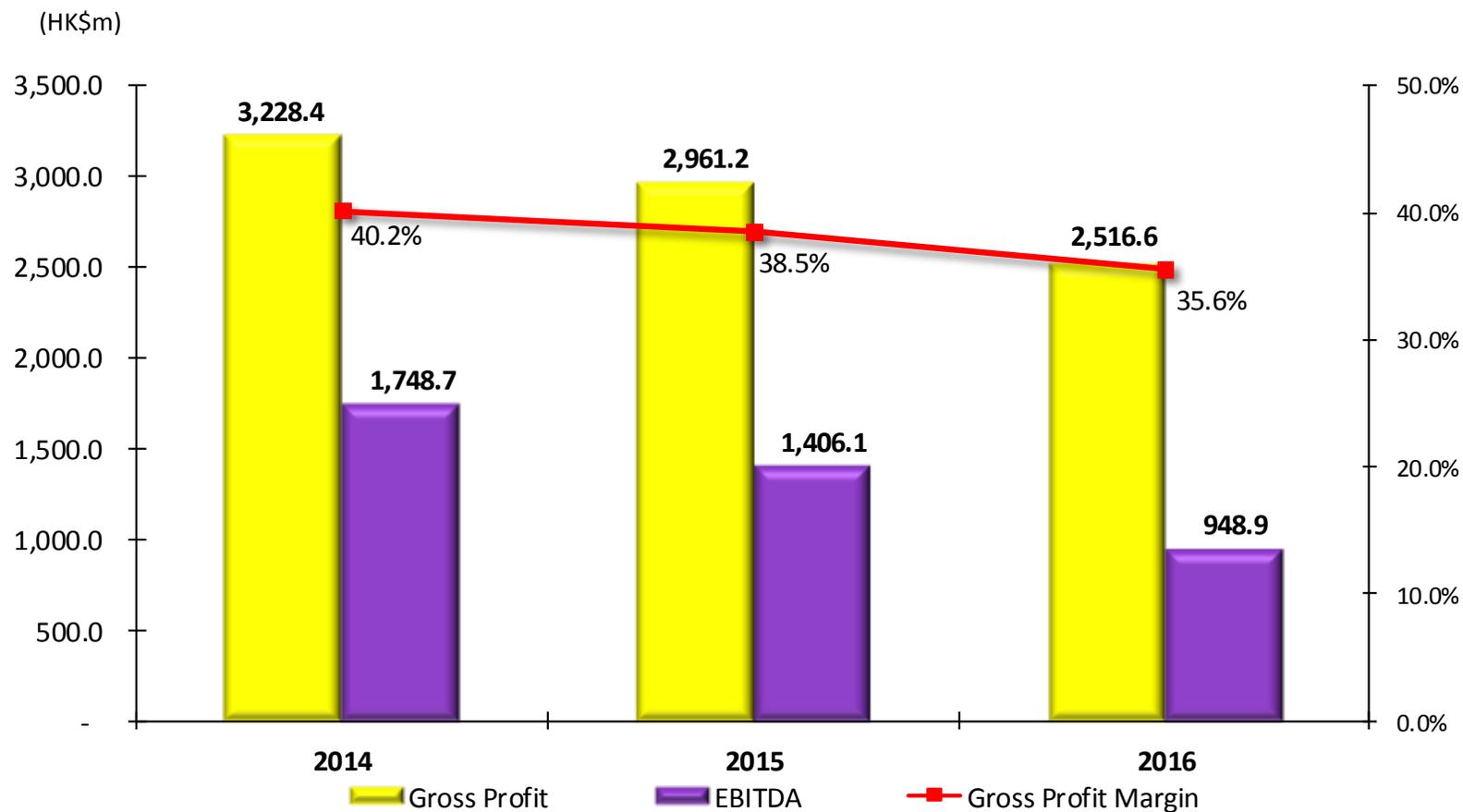
HK\$ million	2016	2015	yoy change
<b>Revenue</b>	<b>7,062.6</b>	7,694.6	-8.2%
<b>Gross Profit</b>	<b>2,516.6</b>	2,961.2	-15.0%
<b>EBITDA</b>	<b>948.9</b>	1,406.1	-32.5%
<b>(Loss) Profit Attributable to Equity Holders</b>	<b>(311.3)</b>	110.4	N/A
❖ Loss on fair value change on investment properties	<b>139.4</b>	80.0	74.3%
❖ Reversal of deferred tax liabilities on fair value change on investment properties	<b>(45.2)</b>	(44.8)	0.9%
❖ Exchange loss mainly from non-RMB borrowings	<b>90.6</b>	96.0	-5.6%
❖ Loss/(gain) on fair value change of derivative components of convertible bonds <sup>#</sup>	<b>110.9</b>	(6.8)	-1,730.9%
❖ Realised loss on forwards contracts	<b>109.6</b>	2.5	4,284.0%
❖ Unrealised (gain)/Loss from changes in fair value of forwards contracts	<b>(107.4)</b>	172.0	-162.4%
<b><u>Adjusted core business (loss)/profit</u></b>	<b>(13.4)</b>	409.3	N/A
<b>(Loss)/Earning per share (HK cents)</b>			
- Basic	<b>(19.13)</b>	6.78	N/A
- Diluted	<b>(19.13)</b>	6.78	N/A

<sup>#</sup> It was mainly caused by the increase in the Company's share price during the period from the date of issue to the year-end date as at 31 Dec 2016.

# Revenue



# Gross Profit, EBITDA & Gross Profit Margin



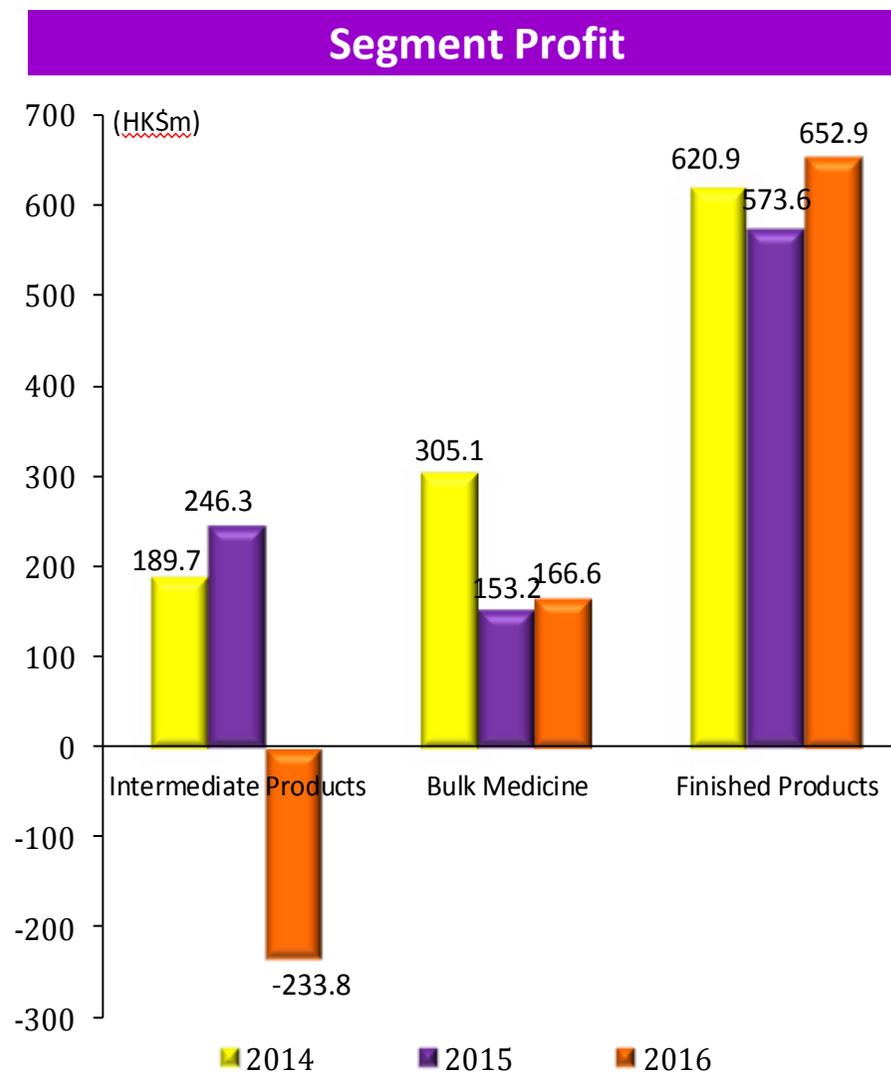
# Business Segment Results & Margins



Segment Profit Breakdown			
	2016	2015	2014
Intermediate Products	<b>(39.9)%</b>	25.3%	17.0%
Bulk Medicine	<b>28.4%</b>	15.8%	27.4%
Finished Products	<b>111.5%</b>	58.9%	55.6%
Total	<b>100%</b>	100%	100%

Segment Margin (EBIT#)			
	2016	2015	2014
Intermediate Products	<b>(8.8)%</b>	7.9%	5.8%
Bulk Medicine	<b>5.3%</b>	4.2%	7.0%
Finished Products	<b>23.7%</b>	20.9%	22.7%

# EBIT: Earnings before interest and taxation.



## Other Key Financial Indicators



	As at 31 Dec 2016	As at 31 Dec 2015
Trade and bills receivable turnover (days)	103.9	94.2
Trade and bills payable turnover (days)	136.2	129.8
Stock turnover (days)	86.1	109.1
Current ratio	0.86	0.68
Net Current Liabilities (HK\$ 'million)	1,076.8	2,697.3
Net Gearing ratio <sup>#</sup>	55.4%	60.2%
Cash and cash equivalents (HK\$ 'million)	1,982.6	1,114.5
Total assets (HK\$ 'million)	16,669.3	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*

	2016	2015
Net cash from operating activities (HK\$ 'million)	1,375.5	1,809.6



# Section 3

---

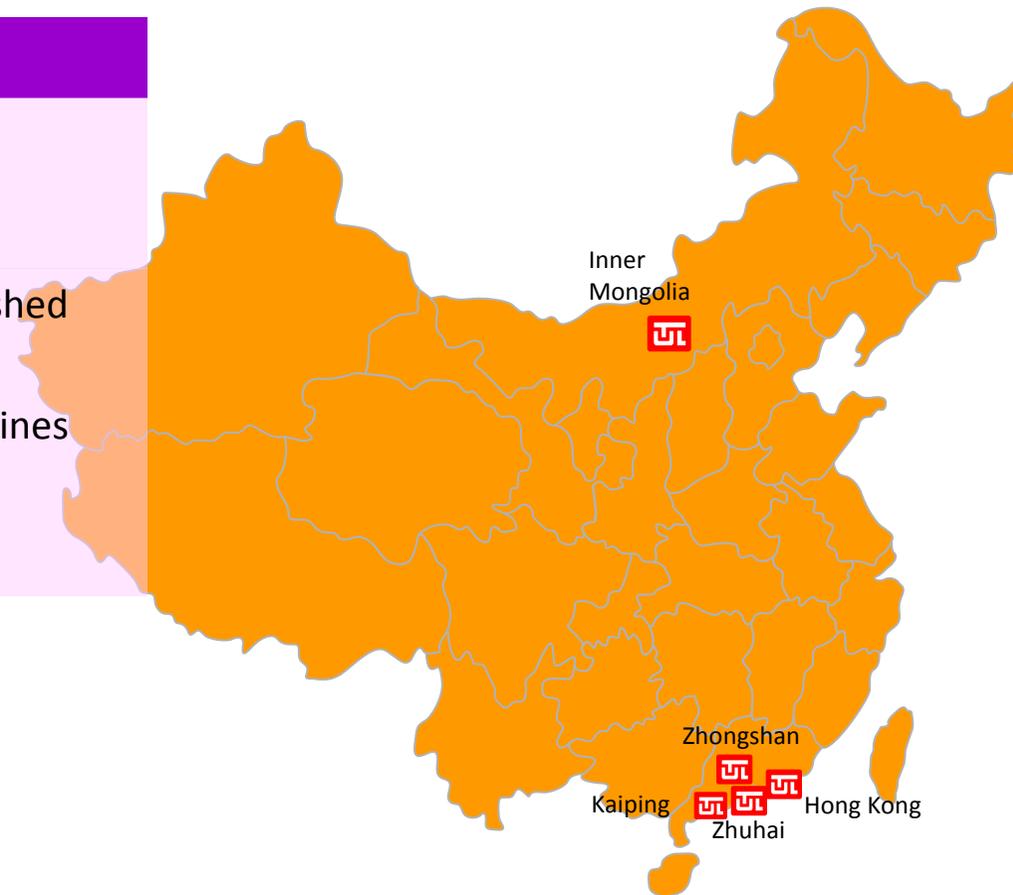
## Business Review



# 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 2016



	Designed Capacity	Utilization Rate	External Sales
<b>Intermediate products (tonnes)</b>			
• 6-APA	18,000	62.8%	72%
• Penicillin G Potassium First Crystal <i>(in BOU)</i> #	11,200,000##	55.4%	100%
• T-Octylammonium Clavulanate	720	50.0%	N/A
<b>Bulk medicine (tonnes)</b>			
• Semi-synthetic penicillins type	20,000	52.9%	90%
• Cephalosporin's type	1,200	63.3%	62%
• $\beta$ -lactamase inhibitor antibiotics type	1,568	79.4%	90%
<b>Finished products (mil)</b>			
• Amoxicillin & Ampicillin capsules	1,540	94.0%	100%
• Amoxicillin granules	161.2	43.8%	100%
• $\beta$ -lactamase inhibitor antibiotics	143.2	81.8%	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 10 months

# Sales Volume



Types	Products	External Sales volume in 2016	External Sales volume in 2015	yoy change
Intermediate products (tonnes)	6-APA	8,155.2	9,158.9	-11.0%
	Penicillin G Potassium First Crystal (In BOU)	5,067,560	---	---
Bulk medicine (tonnes)	Semi-synthetic penicillins type	9,887.1	10,179.0	-2.9%
	Cephalosporins type	468.8	456.2	+2.8%
	β-lactamase inhibitors type	1,121.3	1,000.4	+12.1%
	Carbapenems type	4.8	5.3	-9.4%
Finished products (million packs)	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) (bottles)	16.5	16.1	+2.5%
	Amoxicillin capsules (250/500mg) <sup>#</sup>	49.5	46.7	+6.0%
	Ampicillin capsules (250/500mg)	17.7	19.2	-7.8%
	Ibuprofen capsules <sup>#</sup>	6.6	6.2	+6.5%
	Insulin <sup>#</sup>	11.1	7.1	+56.3%
	Carbapenems for injection	2.6	2.1	+23.8%
	Eye drops <sup>#</sup>	12.9	11.8	+9.3%

<sup>#</sup> Listed in Essential Drugs List. Eyes drops partially listed.

# Average External Selling Price



Average External Selling Price <sup>#</sup>	2016	2015	y-o-y change
<b>Intermediate products</b>			
6-APA (RMB/kg)	<b>123.8</b>	147.5	-16.1%
Penicillin G Potassium First Crystal (RMB/BOU)	<b>40.1</b>	N/A	N/A
<b>Bulk medicine (RMB/kg)</b>			
Semi-synthetic penicillins type	<b>131.5</b>	155.3	-15.3%
Cephalosporins type	<b>630.0</b>	671.2	-6.1%
β-lactamase inhibitors type	<b>696.0</b>	662.9	+5.0%
Carbapenems type	<b>9,848.3</b>	10,250.3	-3.9%

*<sup>#</sup>Selling price not including VAT and other tax*

# Vertical Integration



## Intermediate products, accounted for 20.3% of total external sales in 2016

6-APA (70-80%#) 16.9%	T-Octylammonium Clavulanate N/A	Penicillin G Potassium First Crystal 3.4%
--------------------------	------------------------------------	--

## Bulk medicine, accounted for 40.7% of total external sales in 2016

Semi-synthetic penicillins type (50-60%#)  21.8%	Cephalosporins type  5.0%	$\beta$ -lactamase inhibitors type  13.0%	Carbapenems type  0.9%	Insulin API  N/A
--	---	--	--	--

## Finished products, accounted for 39.0% of total external sales in 2016

Semi-synthetic penicillins antibiotics  10.8%	Cephalosporins antibiotics  3.0%	$\beta$ -lactamase inhibitors antibiotics  9.5%	Carbapenems antibiotics  2.1%	Insulin products  7.6%	Others (including capsule casings)  6.0%
---	--	---	---	--	--

#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



## Recombinant Human Insulin

- ◆ 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

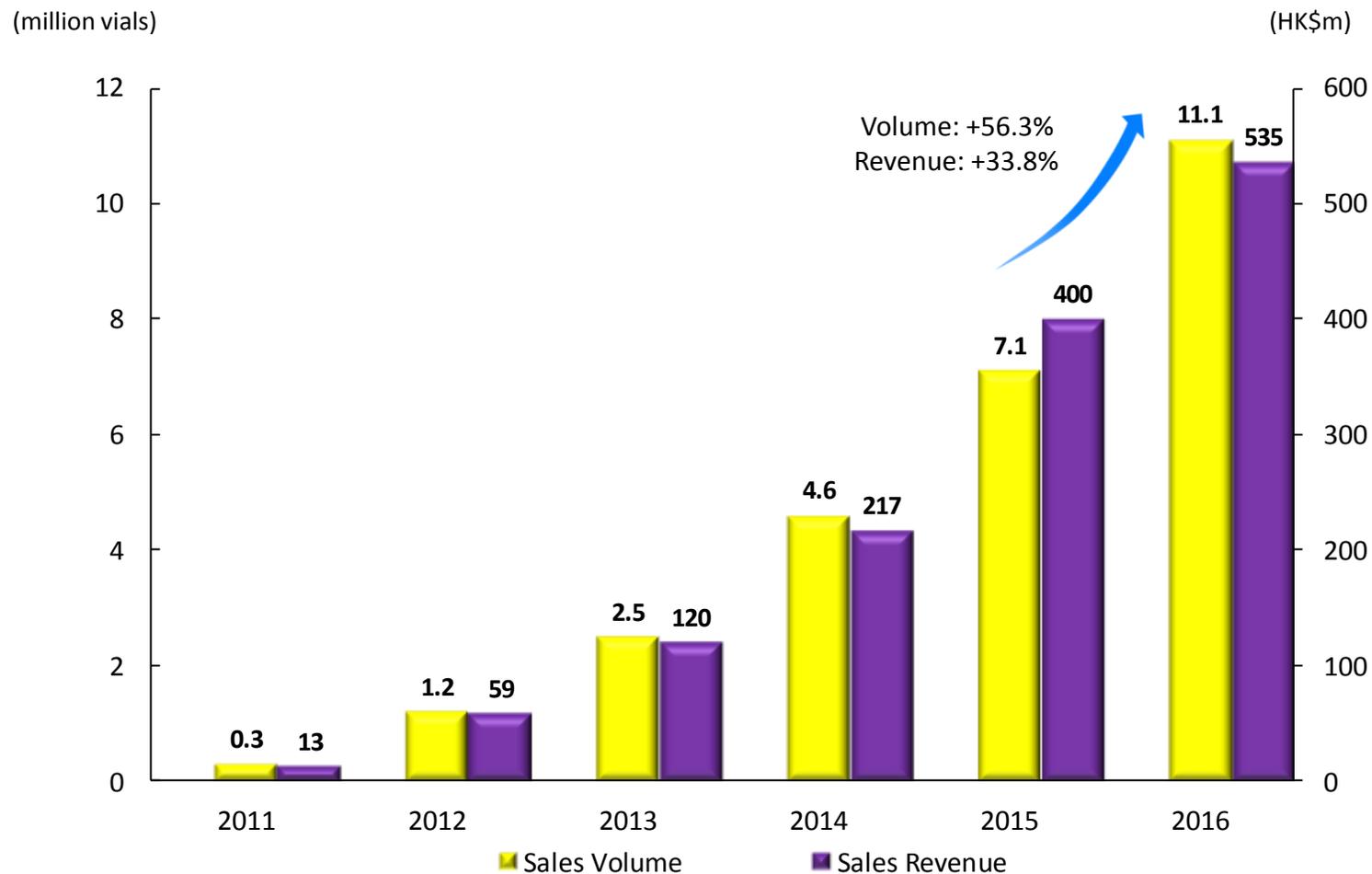


## Insulin Analogue

- ◆ Insulin Glargine finished products have been approved by CFDA in Jan 2017, including the specification of refilled pen-type and disposable pen-type
- ◆ Insulin Glargine will be launched to the market soon and has won the bidding in Fujian and Chongqing
- ◆ Insulin Aspart (门冬胰岛素): finished clinical trial
- ◆ Insulin Detemir (地特胰岛素): Approval for clinical permit



# Sales Volume & Revenue of Recombinant Human Insulin





## Piperacillin Sodium and Tazobactam Sodium for Injection

- ◆ TUL owns 5 specifications, including one for pediatric drug
- ◆ Sales contributing HK\$451 million in 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 18.3% growth to HK\$145 million



## TUL will continue to expand the sales of eye drops series

- ◆ TUL's eyes drops series were partially listed in Insurance Catalogue (2017 version)
- ◆ Eye drops series achieved HK\$168 million sales in 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



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

- ◆ 28 new products at the stage of pre-clinical-trial
- ◆ 11 new products at the stage of clinical trial
- ◆ 3 new products pending for production approval
- ◆ Series of product include those anti-diabetes, eye drop series, 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

<b>Chemical pharmaceutical R&amp;D Department</b> <ul style="list-style-type: none"><li>- approx. 110 R&amp;D personnels</li><li>- 29 types of chemical drugs at different R&amp;D stages</li></ul>	<b>Biological R&amp;D Department</b> <ul style="list-style-type: none"><li>- approx. 90 R&amp;D personnels</li><li>- 13 types of biological drugs at different R&amp;D stages</li></ul>
<b>Clinical Department</b> <ul style="list-style-type: none"><li>- approx. 20 clinical inspectors</li><li>- responsible for the Company's clinical trials of new products</li></ul>	<b>External Cooperation</b> <ul style="list-style-type: none"><li>- working with local and foreign well-known universities, research institutes and laboratories</li></ul>

# Pipeline of Biological Products



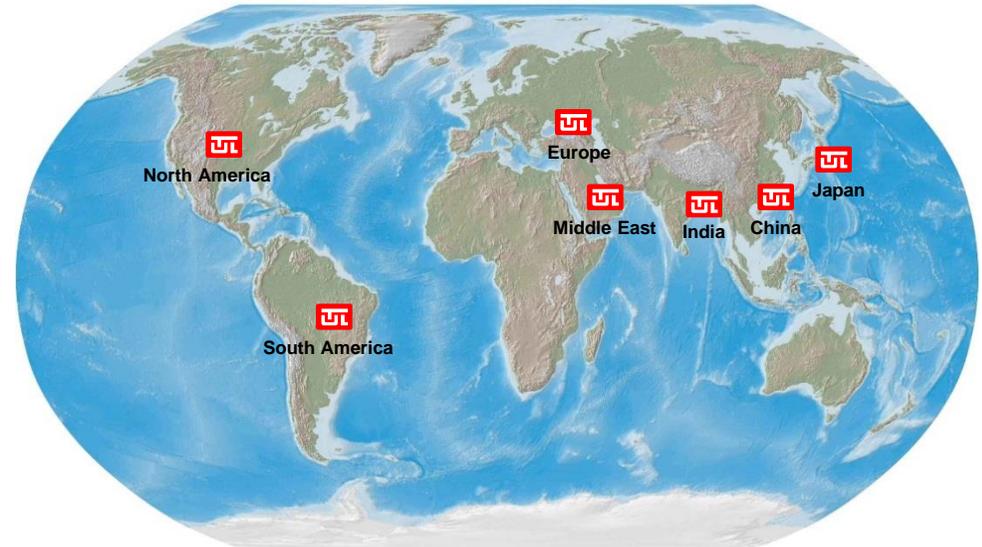
New Products	R & D Progress	Main curative effects
Insulin Aspart Injection 门冬胰岛素注射液（超速效）	Clinical trial finished	For treatment of type I & II diabetes
Insulin Aspart 30 Injection 门冬胰岛素30注射液（超速效）	Clinical trial finished	For treatment of type I & II diabetes
Insulin Detemir Injection 地特胰岛素注射液（长效）	Approval for clinical permit	For treatment of type I & II diabetes
Insulin Degludec Injection 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
Insulin Aspart 50 Injection 门冬胰岛素50注射液（超速效）	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 31 Dec 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 26.9% of the Group total sales in 2016
- ◆ Sales of bulk products to North America, Europe, India, Japan, Middle East, South America and other regions
- ◆ 11 European CEP certificates; 2 German GMP certificates, 1 Intermediate product, 7 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

## API /Intermediates business

- ◆ Continue to optimize the production process, diversify products and further reduce costs and increase sales
- ◆ Develop high-quality customer base and enhance our leadership position in the industry
- ◆ Increase the market share of veterinary drugs

## 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
- ◆ Memantine Hydrochloride Oral solutions was included in the National Insurance Catalogue (2017 version) and will help improve the sales



# Section 5

Q & A Session

