

**The United Laboratories
International Holdings Limited**

**2017 Annual Results Announcement
Corporate Presentation**

March 2018



Results Snapshot



Financial Highlights



Business Review



Outlook & Strategies



Q & A



Section 1

Results Snapshot



2017 Annual Results Snapshot



- ◆ Turnover: +12.3% to RMB6,826.6 million
- ◆ Gross profit: +15.5% to RMB2,498.2 million
- ◆ Profit attributable to equity holders: RMB81.8 million (2016: Loss of RMB272.4 million)
- ◆ Adjusted core business profit: RMB262.5 million (2016: Loss of RMB60.2 million)
- ◆ Segment margin compared with 2016
 - ◆ Intermediate products: from -8.8% to 1.3%
 - ◆ Bulk medicine: from 5.3% to 3.2%
 - ◆ Finished products: from 23.7% to 24.8%
- ◆ Utilization rate of 6-APA highly improved to 99.1%
- ◆ Semi-synthetic penicillins bulk medicine achieved 28.2% of sales growth
- ◆ Recombinant human Insulin recorded 12.3 million vials of sales volume (Revenue: RMB503.2 million)
- ◆ Insulin Glargine recorded RMB21.9 million of sales revenue (Sales volume: 155,090 vials) since launched to market in May 2017
- ◆ Overseas sales: +27.7% to RMB2,092.8million, accounting for 30.7% of total sales
- ◆ Liquidity continued to be improved:
 - ◆ Net current assets amounted to RMB975.6 million as at 31 Dec 2017 (Net current liabilities amounted to RMB968.4 million as at 31 Dec 2016)
 - ◆ Zhuhai United Laboratories issued the Corporate Bonds with principal amount of RMB1.1 billion with a term of three years (extendable to five years) in Mar 2017
- ◆ Revaluation loss from Chengdu investment properties was RMB327.0 million in 2017
- ◆ The Board recommends payment of final dividend of RMB5.0 cents per share for the year ended 31 December 2017



Section 2

Financial Highlights

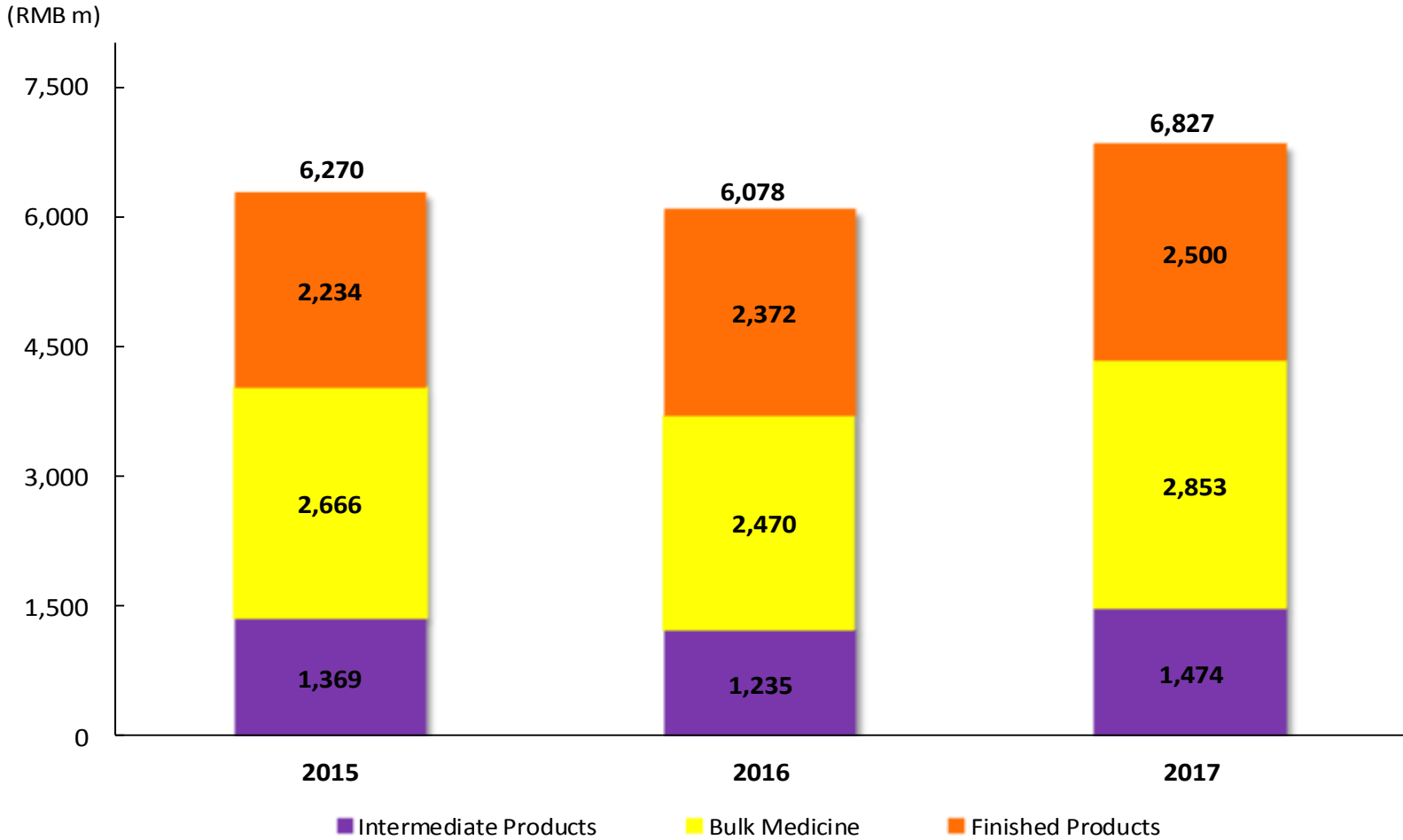


Financial Overview

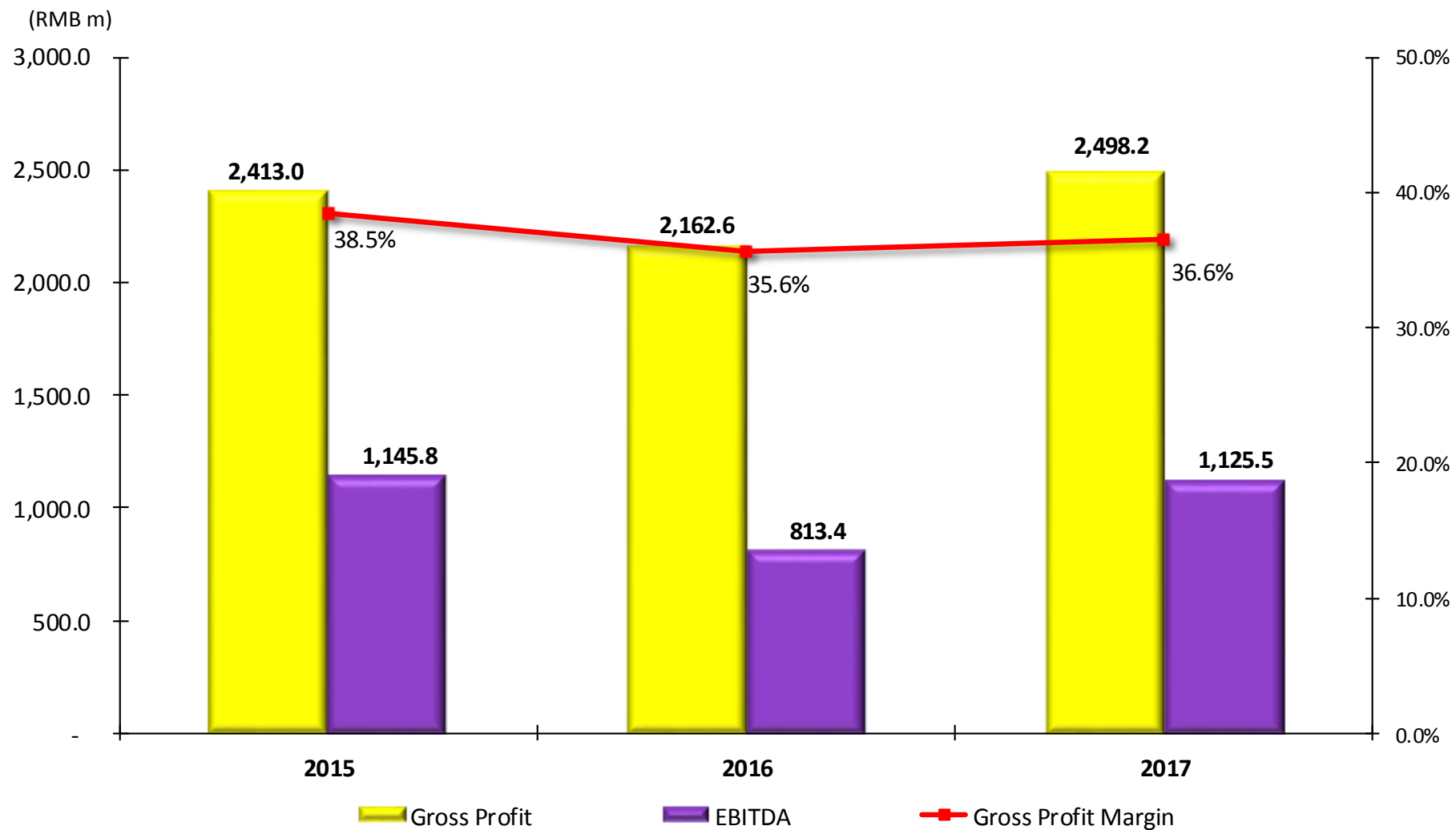


RMB million	2017	2016	yoy change	1H 2017	2H 2017
Revenue	6,826.6	6,077.9	+12.3%	3,339.8	3,486.8
Gross Profit	2,498.2	2,162.6	+15.5%	1,172.7	1,325.5
EBITDA	1,125.5	813.4	+38.4%	677.7	447.8
Profit/(Loss) Attributable to Equity Holders	81.8	(272.4)	N/A	109.1	(27.3)
❖ Loss on fair value change on investment properties	327.0	120.0	+172.5%	49.0	278.0
❖ Reversal of deferred tax liabilities on fair value change on investment properties	(205.0)	(38.9)	N/A	(30.7)	(174.3)
❖ Impairment loss recognised in respect of property, plant and equipment	4.8	31.4	-84.7%	8.9	(4.1)
❖ Loss/(gain) on fair value change of derivative components of convertible bonds	53.9	99.7	-45.9%	(68.3)	122.2
Adjusted core business profit/(loss)	262.5	(60.2)	N/A	68.0	194.5
Earning/(Loss) per share (RMB cents)					
- Basic	5.03	(16.74)	N/A	--	--
- Diluted	5.03	(16.74)	N/A	--	--
Final Dividend per share (RMB cents)	5.0	--	--	--	--

Revenue



Gross Profit, EBITDA & Gross Profit Margin



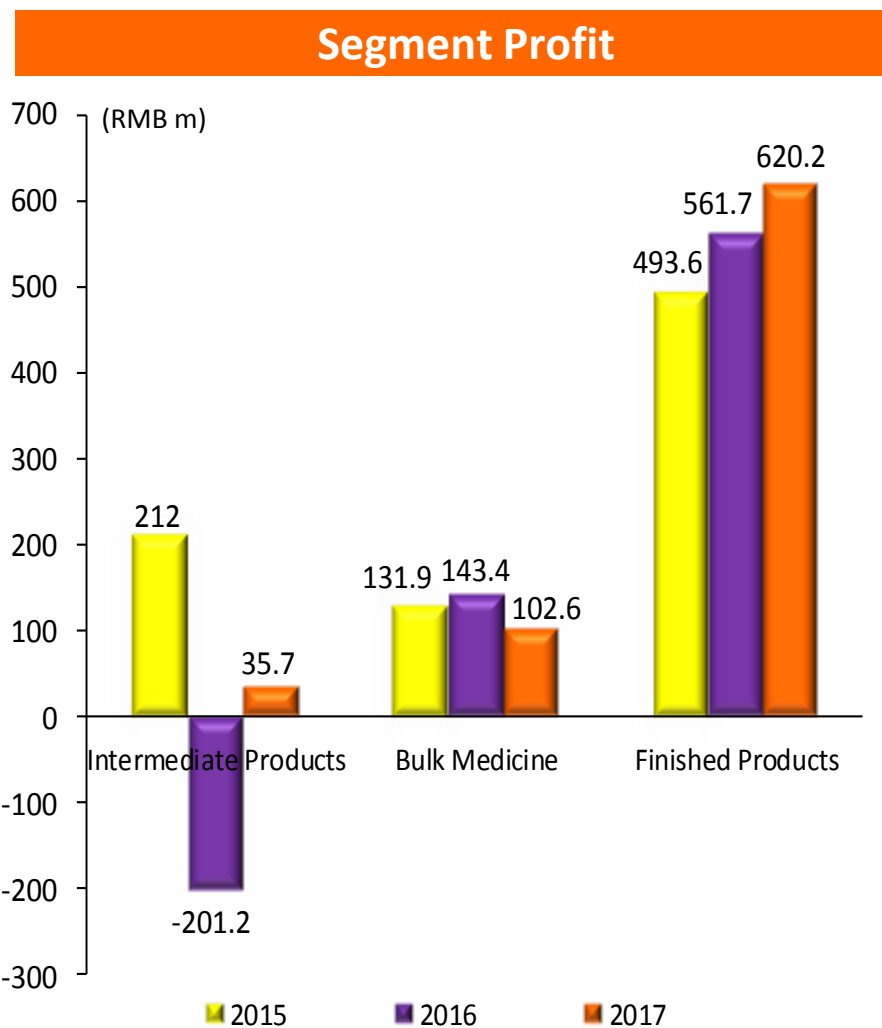
Business Segment Results & Margins



Segment Profit Breakdown			
	2017	2016	2015
Intermediate Products	4.6%	(39.9)%	25.3%
Bulk Medicine	13.6%	28.4%	15.8%
Finished Products	81.8%	111.5%	58.9%
Total	100%	100%	100%

Segment Margin (EBIT#)			
	2017	2016	2015
Intermediate Products	1.3%	(8.8)%	7.9%
Bulk Medicine	3.2%	5.3%	4.2%
Finished Products	24.8%	23.7%	20.9%

EBIT: Earnings before interest and taxation.



Other Key Financial Indicators



	As at 31 Dec 2017	As at 31 Dec 2016
Trade and bills receivable turnover (days)	123.1	108.0
Trade and bills payable turnover (days)	155.2	142.2
Stock turnover (days)	98.9	89.8
Current ratio	1.20	0.86
Net Current Assets / (Liabilities) (RMB million)	975.6	(968.4)
Net Gearing ratio [#]	49.2%	55.7%
Cash and cash equivalents (RMB million)	1,593.8	1,782.9
Total assets (RMB million)	14,111.8	14,966.1

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

	2017	2016
Net cash from operating activities (RMB million)	818.9	1,083.0



Section 3

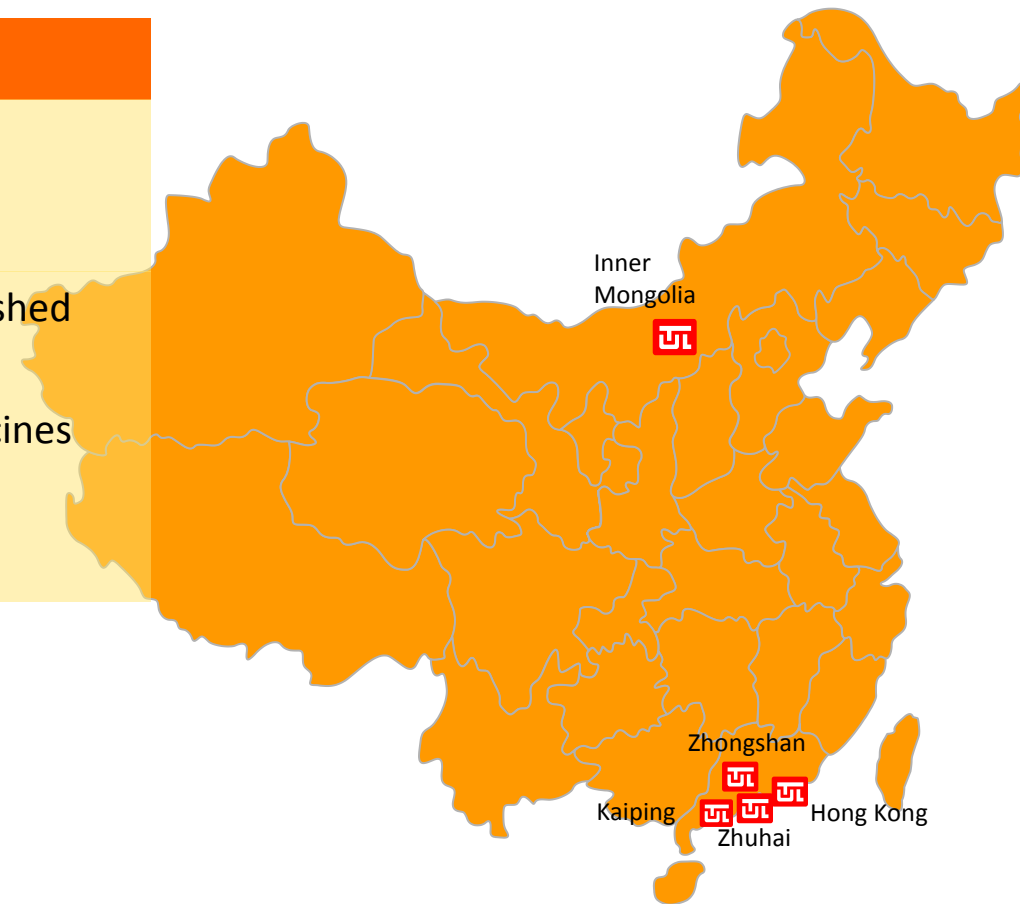
Business Review



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 2017



	Designed Capacity	Utilization Rate	External Sales
Intermediate products (tonnes)			
• 6-APA	18,000	99.1%	39.7%
• Penicillin G Potassium First Crystal <i>(in BOU)</i> [#]	13,333,333	73.5%	100%
• T-Octylammonium Clavulanate	720	66.7%	N/A
Bulk medicine (tonnes)			
• Semi-synthetic penicillins type	20,000	68.3%	90%
• Cephalosporins type	1,200	66.6%	90%
• β -lactamase inhibitor antibiotics type	1,568	80.3%	90%
Finished products (mil)			
• Amoxicillin & Ampicillin capsules	1,540	72.8%	100%
• β -lactamase inhibitor antibiotics	143.2	72.8%	100%

[#] Opening inventory is not included in calculating the percentage of external sales.

^{##} 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 2017	External Sales volume in 2016	yoy change
Intermediate products (tonnes)	6-APA	7,669.3	8,155.2	-6.0%
	Penicillin G Potassium First Crystal (In BOU)	9,717,410	5,067,560	+91.8%
Bulk medicine (tonnes)	Semi-synthetic penicillins type	12,672.2	9,887.1	+28.2%
	Cephalosporins type	338.2	468.8	-27.9%
	β-lactamase inhibitors type	1,179.9	1,121.3	+5.2%
Finished products (million packs)	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g)	18.1	16.5	+9.7%
	Amoxicillin capsules(250/500mg)#	54.5	49.5	+10.1%
	Carbapenems for injection	3.4	2.6	+30.8%
	Recombinant human Insulin#	12.3	11.1	+10.8%
	Insulin Glargin	0.2	-	N/A
	VC effervescent tablets	2.4	0.8	+200%
	Eye drops#	13.8	12.9	+7.0%

Listed in Essential Drugs List. Eyes drops partially listed.

Average External Selling Price



Average External Selling Price [#]	2017	2016	y-o-y change
Intermediate products			
6-APA (RMB/kg)	135.4	123.8	+9.4%
Penicillin G Potassium First Crystal (RMB/BOU)	43.5	40.1	+8.5%
Bulk medicine (RMB/kg)			
Semi-synthetic penicillins type	133.9	131.5	+1.8%
Cephalosporins type	639.1	630.0	+1.4%
β-lactamase inhibitors type	727.8	696.0	+4.6%

[#]Selling price not including VAT and other tax






Vertical Integration









Intermediate products, accounted for 21.6% of total external sales in 2017

6-APA (70-80%#) 15.0%	T-Octylammonium Clavulanate N/A	Penicillin G Potassium First Crystal 6.6%
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Bulk medicine, accounted for 41.8% of total external sales in 2017

Semi-synthetic penicillins type (50-60%#)  24.9%	Cephalosporins type  3.2%	β -lactamase inhibitors type  12.7%	Carbapenems type  1.0%	Insulin API  N/A
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Finished products, accounted for 36.6% of total external sales in 2017

Semi-synthetic penicillins antibiotics  8.6%	Cephalosporins antibiotics  2.4%	β -lactamase inhibitors antibiotics  8.6%	Carbapenems antibiotics  1.7%	Insulin products  7.2%	Others (including capsule casings)  8.1%
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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

Recombinant Human Insulin

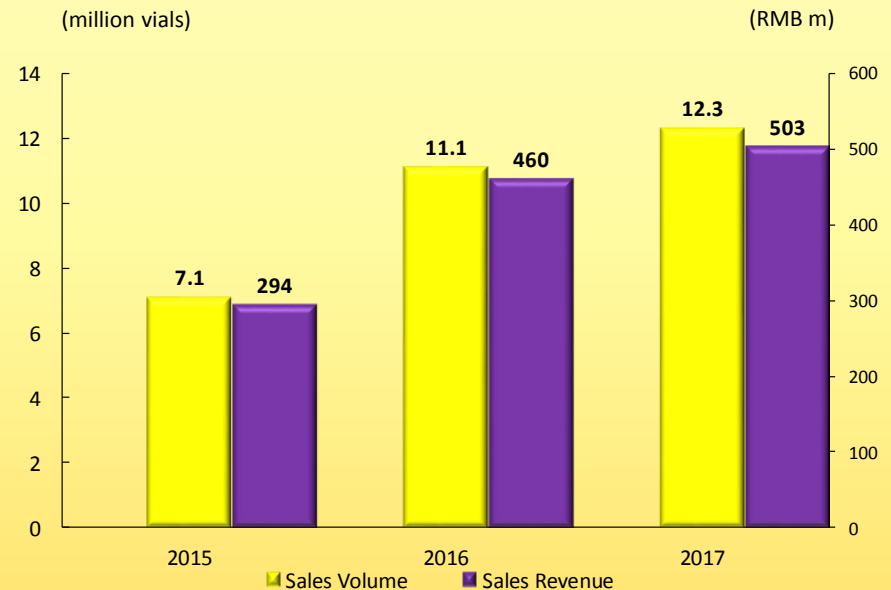
- ◆ Included in the “National Essential Drug List” 《国家基本药物目录》 (2012 version) in May 2013
- ◆ Outstanding sales performance from Anhui, Guangdong, Shandong, Henan, and Jilin Province
- ◆ The published bidding result for each regulation was more than 20 provinces and municipalities

Insulin Glargine

- ◆ Approved by CFDA in Jan 2017, including the specification of refilled pen-type and disposable pen-type
- ◆ Insulin Glargine recorded RMB21.9 million sales since launched to market in May 2017



Sales Performance of Recombinant Human Insulin





Piperacillin Sodium and Tazobactam Sodium for Injection

- ◆ TUL owns 5 specifications, including one for pediatric drug
- ◆ Sales contributing RMB408.2 million in 2017



Amoxicillin Capsules maintained stable growth

- ◆ TUL's Amoxicillin Capsules was awarded the National well-known trademark
- ◆ Sales contributing RMB405.1 million in 2017



Memantine Hydrochloride series products open up the sales in hospitals

- ◆ A drug for the treatment of Alzheimer's disease
- ◆ The first pharmaceutical company in the PRC permitted to produce Memantine Hydrochloride series products
- ◆ Sales contributing RMB21.0 million in 2017



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 RMB117.7million



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 RMB143.9 million sales in 2017

Research & Development



- ◆ 39 new products were under development, in which 15 in the process of patent registration and 26 patents approved by the government

- ◆ 25 new products at the stage of pre-clinical-trial
- ◆ 12 new products at the stage of clinical trial
- ◆ 2 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

Chemical pharmaceutical R&D Department

- approx. 110 R&D personnels
- 24 types of chemical drugs at different R&D stages

Biological R&D Department

- approx. 120 R&D personnels
- 15 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



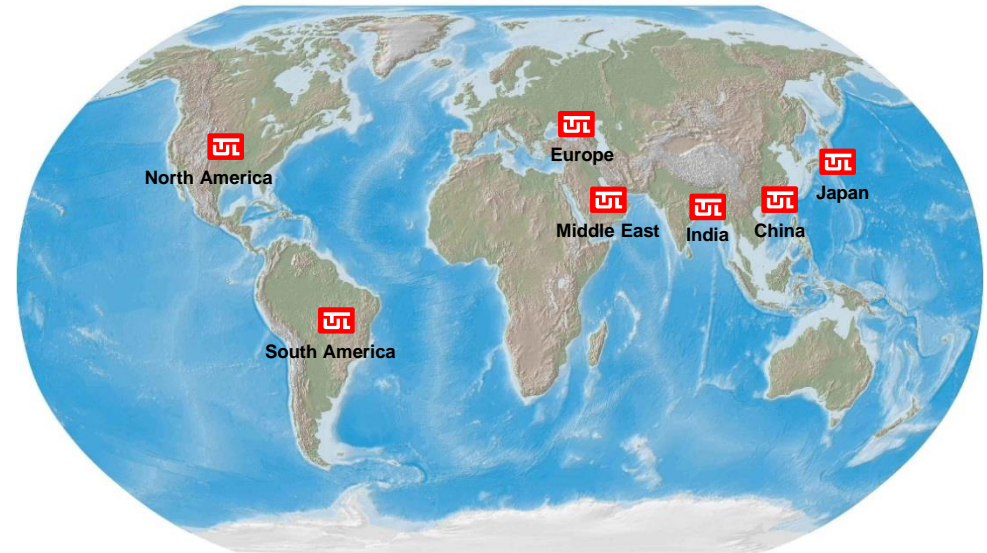
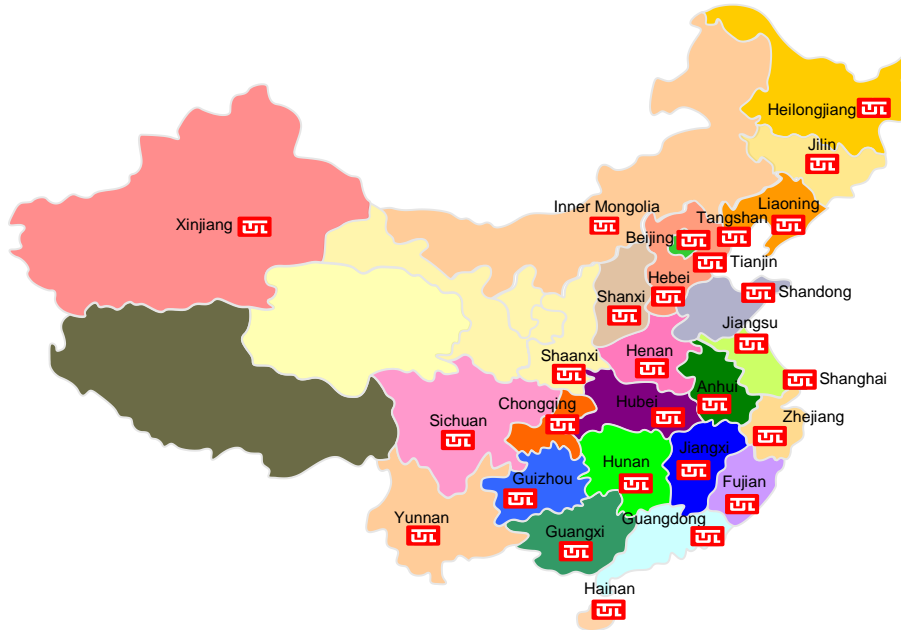
New Products	R & D Progress	Main curative effects
Insulin Aspart Injection 门冬胰岛素注射液（超速效）	Pending for production permit	For treatment of type I & II diabetes
Insulin Aspart 30 Injection 门冬胰岛素30注射液（超速效）	Pending for production permit	For treatment of type I & II diabetes
Liraglutide Injection 利拉鲁肽（GLP-1 类似物）	Pending for clinical permit	For treatment of type 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
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	Finished clinical trial	Anti-hepatitis B & Anti-AIDS
Tadalafil Tablets 他达拉非片	Clinical trial	For treatment of erectile dysfunction
Sitagliptin Phosphate Tablets 磷酸西格列汀片（DPP-4 抑制剂）	Clinical trial	For treatment of type II diabetes
Clopidogrel Hydrogen Sulphate Tablets 硫酸氢氯吡格雷片	Approval for clinical permit	Anti-thrombosis
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 2017
- ◆ 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 30.7% of the Group total sales in 2017
- ◆ 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	API /Intermediates business	Finished Products
<ul style="list-style-type: none">◆ Continue to optimize financial structure, maintain a healthy and balanced mix◆ Continue to control the net gearing ratio	<ul style="list-style-type: none">◆ Continue to optimize the business model of vertical integration◆ 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	<ul style="list-style-type: none">◆ Expand production capacity◆ Actively enhance the variety of biological products and promote sales growth◆ Expand the investment on research & development◆ Invest and speed up the application process of consistency evaluation in terms of quality and efficacy of generic drugs



Section 5

Q & A Session

