

**The United Laboratories  
International Holdings Limited**

**Annual Results 2008**

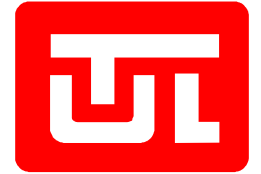
April 2009





# Agenda

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- 1 2008 Major Accomplishments
- 2 Financial Highlights
- 3 Business Review
- 4 Market Updates
- 5 Outlook & Strategies
- 5 Q&A



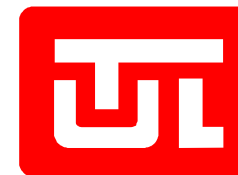
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# Section 1


## 2008 Major Accomplishments



# Results Overview



- Revenue +44.7% to HK\$3,756 Mn
- Gross profit +18.6% to HK\$1,430 Mn
- EBITDA +9.6% to HK\$903 Mn
- Profit attributable to shareholders reached HK\$430 Mn
  
- Strong sales amid the financial crisis in 2008:
  - ▶ Intermediate products +179.4% to HK\$742 Mn
  - ▶ Bulk medicine +25.7% to HK\$1,712 Mn
  - ▶ Finished products +34.6% to HK\$1,301Mn
  
- Sales in rural area +40% after initial efforts in exploring market in rural areas in the PRC
- Sales in overseas markets +37.9% to HK\$836 Mn
  
- Production plant in Inner Mongolia commenced operation, production capacity of 6-APA increased significantly to 8,500 tonnes, the world largest 6-APA production plant
  
- 4 new finished products approved by SFDA

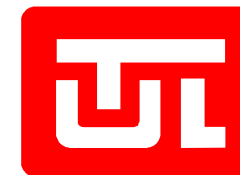


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## Section 2 Financial Highlights

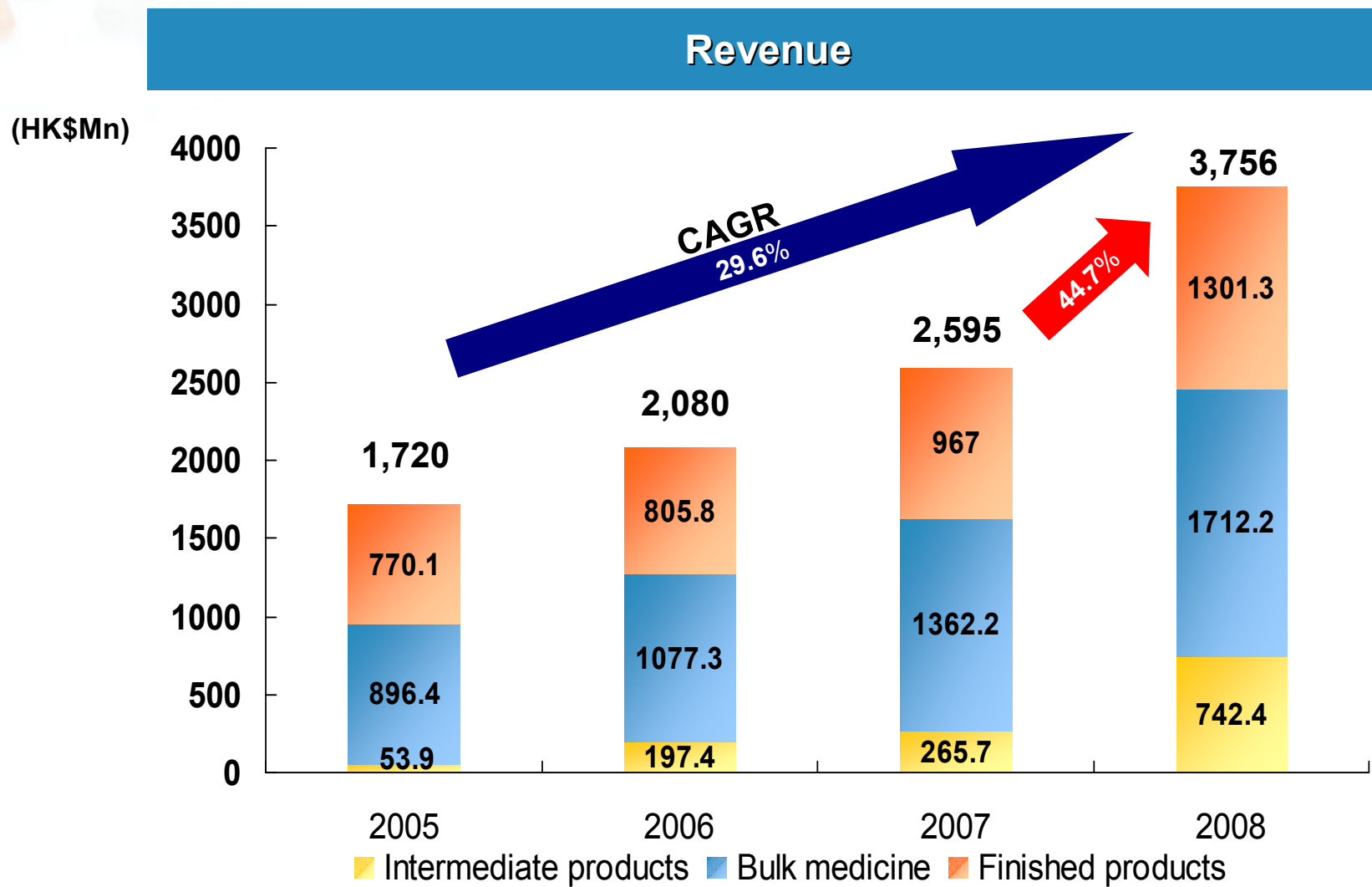
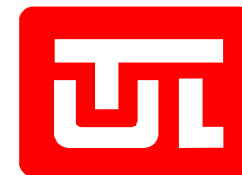


# Results Highlights

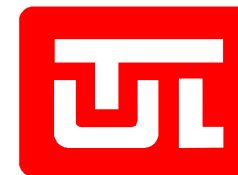


For the year ended 31 Dec HK \$Mn	2008	2007	Change
<b>Revenue</b>	<b>3,755.9</b>	2,594.9	+44.7%
<b>Gross profit</b>	<b>1,429.6</b>	1,205.8	+18.6%
<b>EBITDA</b>	<b>902.9</b>	824.9	+9.6%
<b>Profit attributable to shareholders</b>	<b>430.2</b>	510.5	-15.7%
<b>Earnings per share (HK cents)</b>	<b>35.8</b>	48.0	-25.4%
<b>Final dividend per share (HK cents)</b>	<b>15.0</b>	17.0	-11.8%

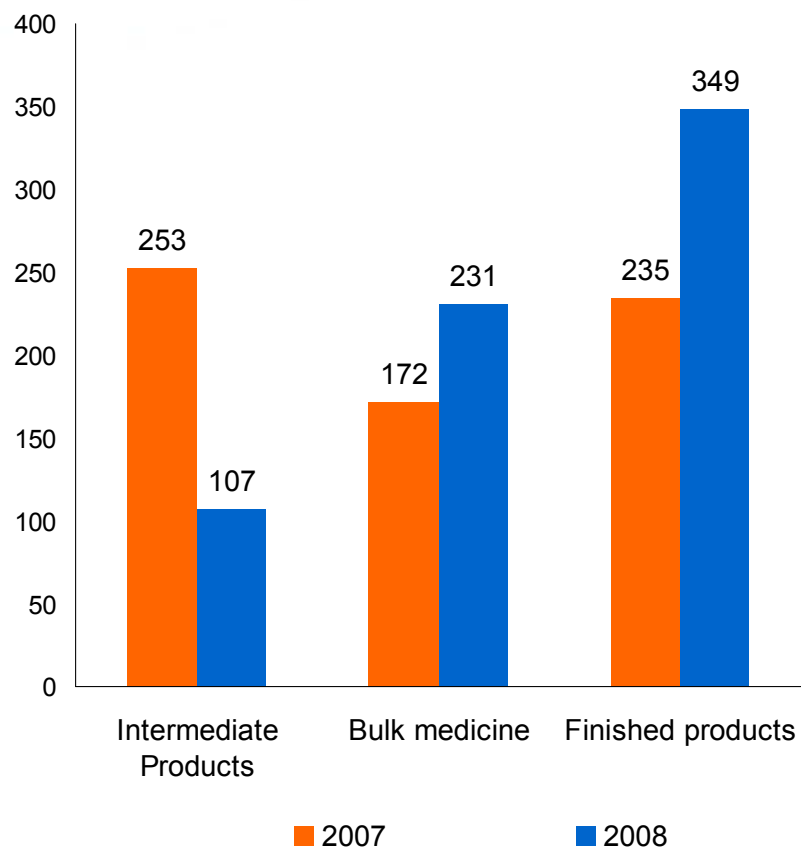
# Revenue



# Business Segment Results & Margins



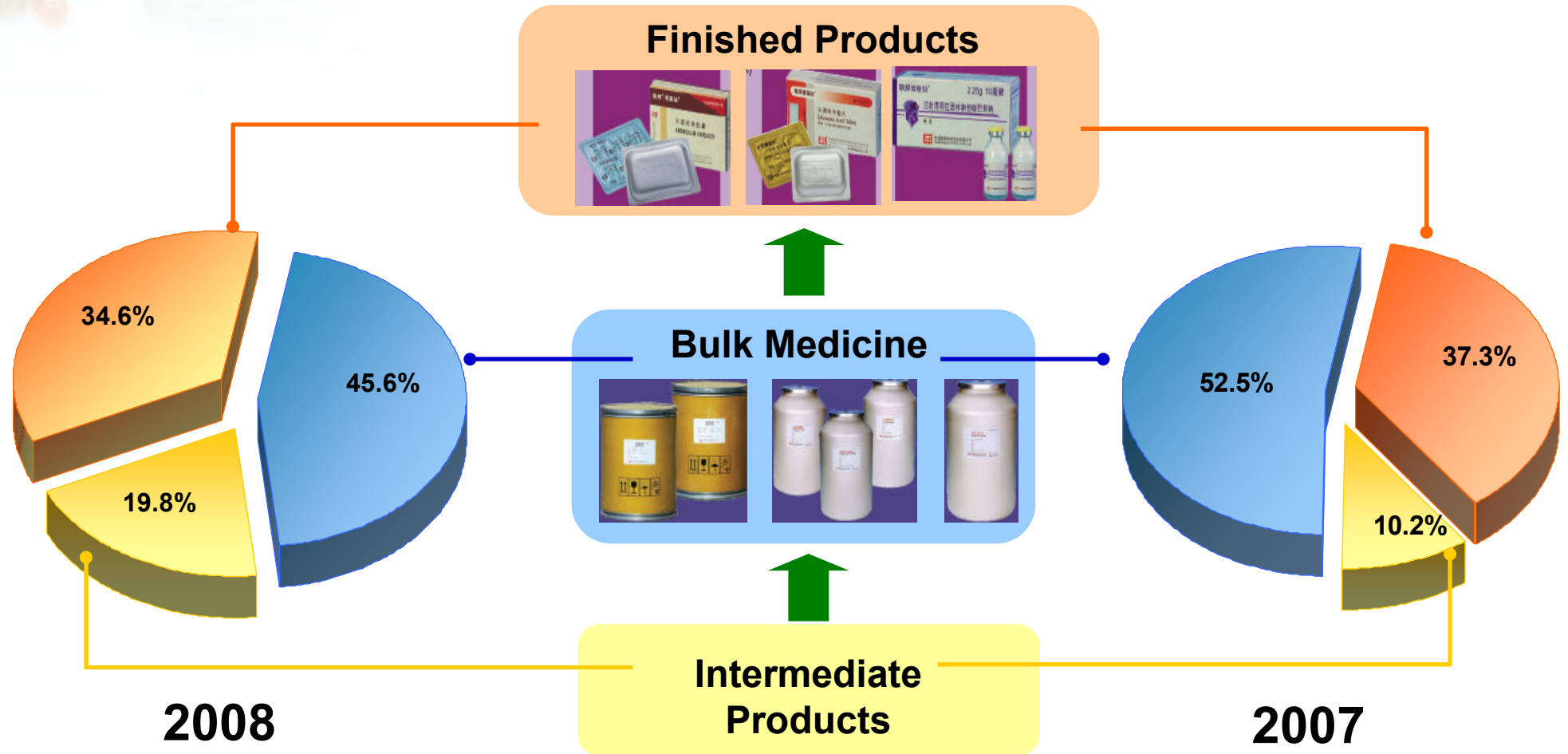
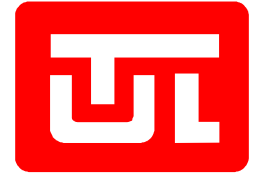
(HK\$Mn)



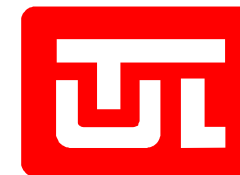
Segment Margin	2008	2007
Intermediate products	<b>7.5%</b>	22.0%
Bulk medicine	<b>12.2%</b>	11.4%
Finished products	<b>26.8%</b>	24.3%



# Revenue Breakdown by Products



## Other Key Financial Indicators



For the year ended 31 Dec	2008	2007
Trade and bills receivable turnover (days)	114.0	114.4
Trade and bills payable turnover (days)	163.3	160.1
Current ratio	0.84	1.27
Gearing ratio <sup>(1)</sup>	57.2%	39.7%
Bank balance and cash (HK\$ '000)	165,474	401,262
Total assets (HK\$ '000)	6,170,258	4,750,088

(1) Gearing ratio is calculated by total borrowings less bank balances and cash, divided by capital and reserves

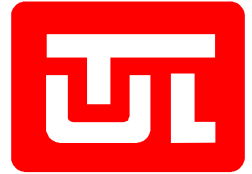


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# Section 3 Business Review



# Plant Location



**TUL Chengdu**

Intermediate products



**TUL Inner Mongolia**



Intermediate products

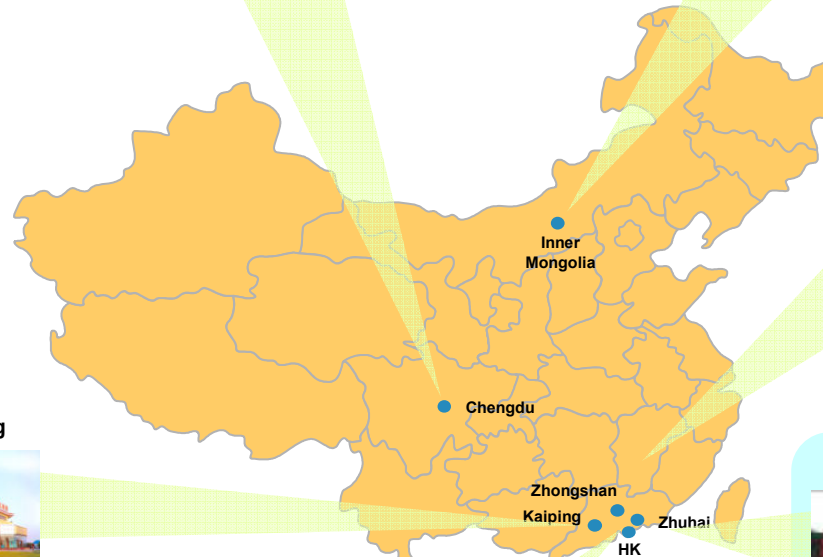


Bulk medicine Finished products



**Phase I**  
– Commenced operation

**Phase II**  
– Under construction



**TUL Zhongshan**



Antibiotics finished products



**Expansion in progress**

Non-antibiotics finished products



**TUL Kaiping**



Empty capsule casings



**TUL Zhuhai**



Bulk medicine



**Expansion completed**  
**Commence operation in 2H09**

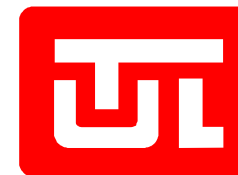
**TUL Hong Kong**



Antibiotics finished products



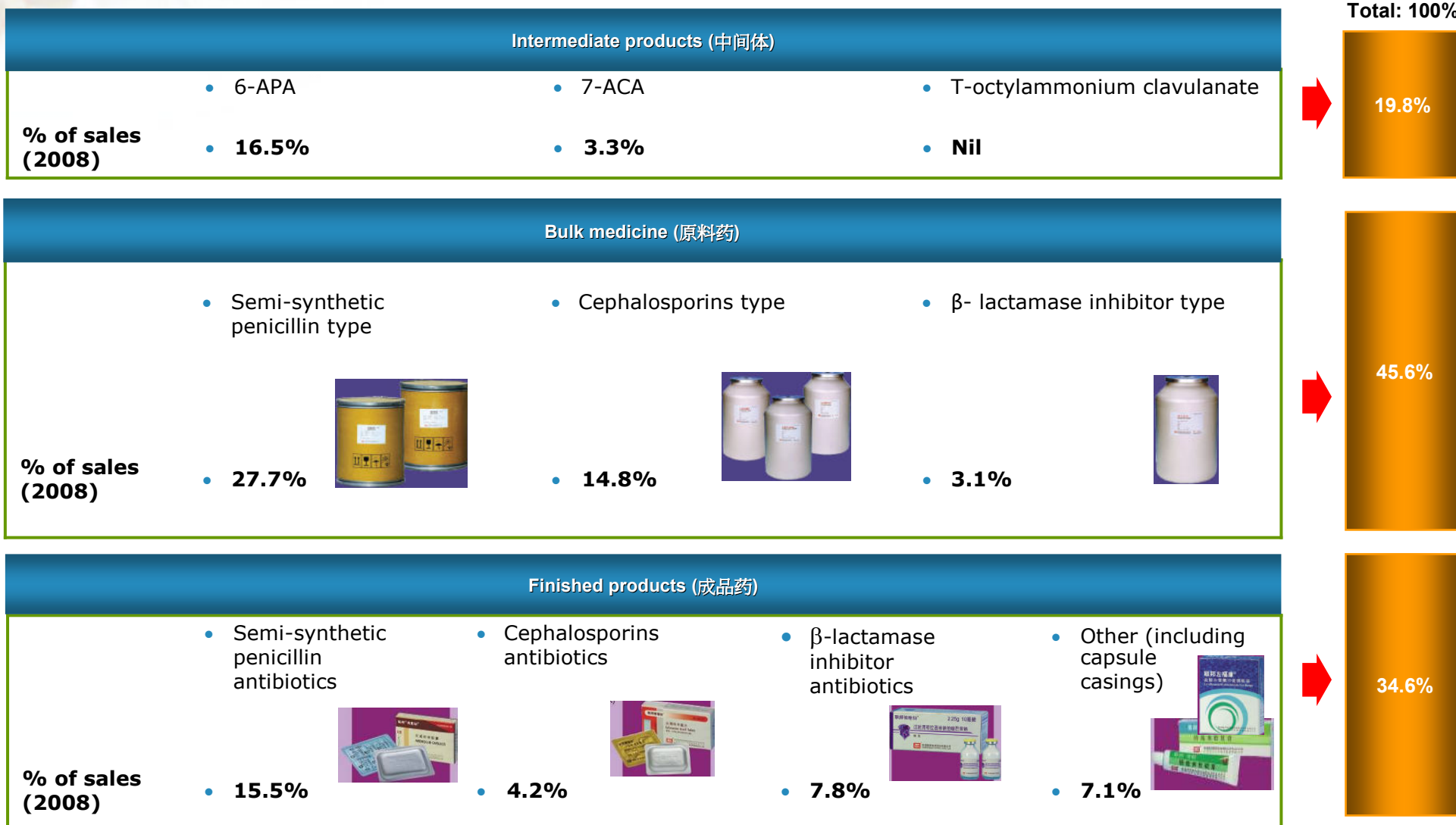
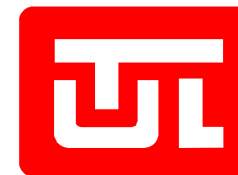
# Expanding Production Capacity



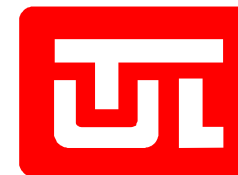
	2008		2007	
	Designed Capacity	Utilization Rate	Designed Capacity	Utilization Rate
<b><i>Intermediate products (tonnes)</i></b>				
• 6-APA	<b>8,500</b>	<b>63%</b>	3,467	87%
• 7-ACA	<b>500</b>	<b>89%</b>	500	15%
<b><i>Bulk medicine (tonnes)</i></b>				
• Semi-synthetic penicillin type	<b>4,752</b>	<b>87.3%</b>	3,769	86%
• Cephalosporins type	<b>662</b>	<b>81.9%</b>	662	56%
<b><i>Finished products</i></b>				
• Amoxicillin & Ampicillin capsules	<b>1,120 mil</b>	<b>90%</b>	1,039 mil	89%
• Amoxicillin granules	<b>92 mil</b>	<b>70.4%</b>	75 mil	69%
• $\beta$ - lactamase inhibitor antibiotics (bottle)	<b>10.5 mil</b>	<b>91.1%</b>	10.5 mil	65%

**Full operation of 6-APA production facilities in Inner Mongolia Phase I plant further enhanced the production capacity and achieved better economies of scale.**

# Further Vertical Integration

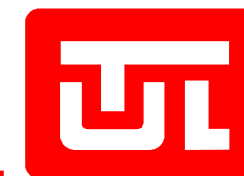


# Growing Sales Volume of Group's Products



Types	Products	2008	2007	YoY growth	External Sales %
Intermediate products (tonnes)	6-APA	2,424.5	752.8	+222%	45.3%
	7-ACA	165	1.5	+10,900%	37.1%
Bulk medicine (tonnes)	Semi-synthetic penicillin type	3,637.5	2,851.8	+27.6%	85-90%
	Cephalosporins type	580.5	489.2	+18.3%	
	β- lactamase inhibitor type	110.3	65.7	+67.9%	
Finished products (million packs)	Amoxicillin granules (packs)	5.0	4.2	+19%	100%
	Tazobactam sodium and piperacillin sodium for injection (2.25g) (packs)	4.7	3.2	+46.9%	
	Amoxicillin capsules (250/500mg)	29.8	27.1	+10%	
	Ampicillin capsules (250/500mg)	19.4	17.7	+9.6%	
	Cefuroxime Axetil Tablet	2.8	1.7	+64.7%	
	Ibuprofen capsules (300mg)	4.5	2.2	+105%	
	Eye drops	2.6	1.5	+73.3%	
	Adefovir Capsules	0.4	0.06	+567%	

# Selling Prices of the Group's Products

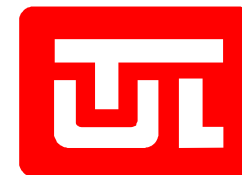


<u>Average selling price</u>	2008	2007	YoY Change
<b>Intermediate products (RMB/kg)</b>			
• 6-APA	<b>232.4</b>	342.8	-32.2%
• 7-ACA	<b>669.5</b>	838.8	-20.1%
<b>Bulk medicine (RMB/kg)</b>			
• Semi-synthetic penicillin type	<b>249.2</b>	288.6	-13.7%
• Cephalosporins type	<b>864.5</b>	890.4	-3%
• $\beta$ - lactamase inhibitor type	<b>949.8</b>	1,081.6	-12.2%

<u>Products with individual pricing approved by NDRC</u>	Individual pricing	Government ceiling price	Difference
<b>Finished products</b>			
• Amoxicillin Granules 125mg x 12 packs	<b>10.2</b>	8.0	+27%
• Amoxicillin Capsules 250mg x 24 tablets	<b>15.7</b>	9.0	+74%
• Amoxicillin Capsules 500mg x 24 tablets	<b>27.4</b>	15.8	+73%
• Ampicillin Capsules 250mg x 24 tablets	<b>15.6</b>	9.0	+73%
• Ampicillin Capsules 500mg x 24 tablets	<b>26.5</b>	-	-



# Well-established Brand of Products



- As at 31 Dec 2008, a total of 162 bulk medicine and finished products obtained Drug Registration Approvals & Certificate of Drug/Production Registration in the PRC/HK. 74 were in production, and 33 were listed in Insurance Catalogue

## Branded Finished Products

### Amoxicillin Capsules



- Market share in 2008: 63%, ranked 1<sup>st</sup> for 5 consecutive years
- Performed bioequivalence test in USA with patent drug, got the same effectiveness
- Obtained individual pricing approval from NDRC, listed in Insurance catalogue
- Named as 2008 Beijing Olympic official medication product

### Ampicillin Capsules



- Market share in 2008: >90%, ranked 1<sup>st</sup> for 5 consecutive years
- The first brand in the market
- Obtained individual pricing approval from NDRC

### Piperacillin sodium/ Tazabactam sodium for injection



### Amoxicillin sodium/ clavulanate potassium for injection

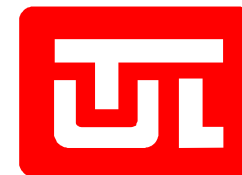


- Market share in 2008: 22-27%, top 2 in the market (according to the Chinese pharmaceutical Association)
- Kept high growth of sales since launched
- Listed in Insurance catalogue

## Bulk Medicine Qualifications

- Amoxicillin powder and compacted both obtained COS by EDQM
- Amoxicillin obtained DMF from US FDA
- Ampicillin approved by Japanese GMP

# Diversified Customer Base



## Customers

## Long-term Contract Proportion

### Domestic Customers

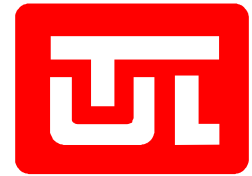


### International Customers



	2007	2008	2009
Finished Products	70-80%	72-82%	75-85%
Intermediates and Bulk Medicine	10-20%	20-30%	30-40%

# Extensive Sales and Distribution Network



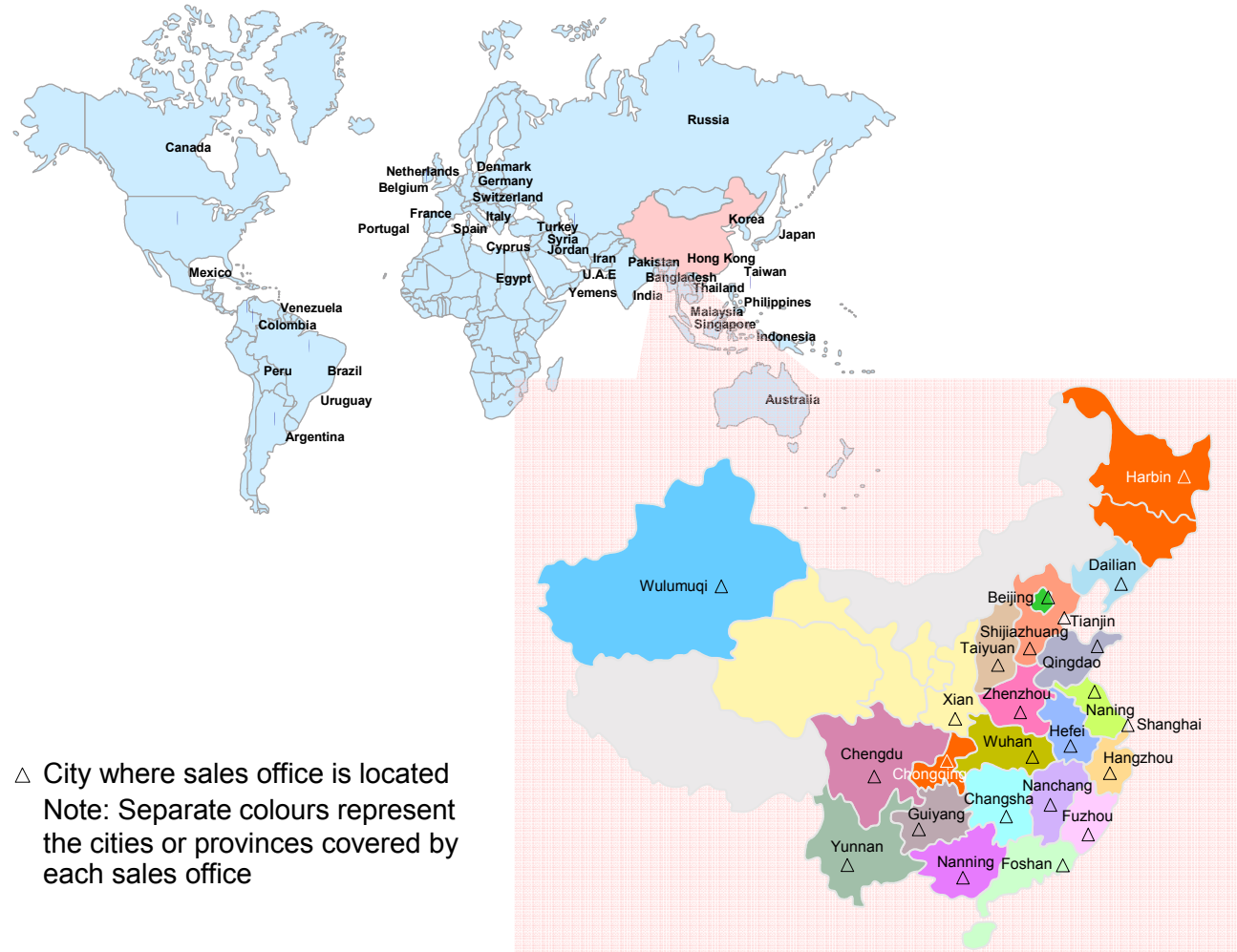
## Success in the development of sales in PRC and the overseas markets

### Sales in the PRC

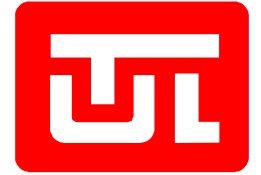
- Over 2,200 sales staff in 25 sales offices as at 31 Dec 2008
- Over 1,000 distributors, 80 of them are top class distributors

### Overseas Markets

- Accounted for 22.3% of the Group total sales in 2008
- Sales of intermediate products and bulk medicine to India, Europe and other countries



# Environmental Engineering



- The Discharge Standards of Water Pollutants for Pharmaceutical Industry Chemical Synthesis Products category promulgated on 1 Aug 2008 raised entry barrier and will enhance profitability and profit margins of the industry
- TUL invested RMB270 Mn for the establishment of modern waste water treatment facilities at both Chengdu & Inner Mongolia intermediate production plants
- Closely monitors the performance of its environmental facilities to ensure compliance with national and local regulatory standards



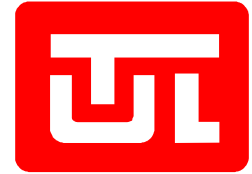


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# Section 4 Market Updates



# Market Review and Outlook in China



## 2008 Market Review

- **Resilient to economic downturn**
  - RMB825.4 Bn sales of pharmaceutical products (+26.5% from 2007)
  - New Cooperative Medical Scheme covered 814 Mn citizens
  - Basic Medical Insurance trail point increased from 88 to 317 in 2008, no. of participants raised to 117 Mn

## 2009 Market Outlook

- **Increasing support from government**
  - **RMB850 Bn three-year budget for healthcare reform**
    - Extend medical coverage to >90% of the population by 2011
    - Annual medical subsidies for individual increased from RMB80 to RMB120 by 2011
- **Favourable factors to the demand for medicines**
  - Increasing elderly population and life expectancy
  - Increase awareness and affordability for healthcare services



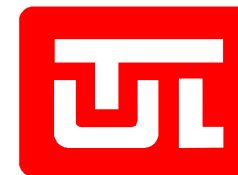
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# Section 5

## Outlook & Strategies



# Future Growth Momentum



## New Products

Product	Classification	Main curative effects	Expected time for launching
Imipenem cilastatin sodium for injection (注射用亞胺培南西司他丁鈉)	Carbapenems antibiotics	For treatment of various types of infection	April 2009
Acetaminophen and Dextromethorphan Hydrobromide Oral Solution (氨酚沙芬口服溶液)	Compound anti-flu medicine	For treatment of flu	1H 2009
Isophane protamine human insulin injection (精蛋白人胰島素注射液)	Bio product	For treatment of type I & II diabetes	Dec 2009

Expected time to commence operation	New production workshop
1H09	Penems for bulk medicine (培南類原料車間)
	Penems for finished products (培南類製劑車間)
2H09	Solid finished products (固體製劑)
	Penicillin for Injection (青黴素粉針車間)
	Lyophilized powder for Injection(凍乾粉針車間)

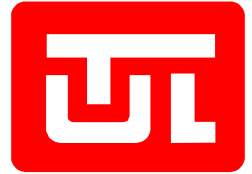
**30 finished products under development at various stages  
3 patents got approval and other 8 patents in applying process**





# Strategies for 2009

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## Production

- Maximize production capacity and efficiency
- Focus on the construction of Phase II plant in Inner Mongolia
- Speed up expansion in other production plants
- Enhance quality control and cost control

## Sales


- Strengthen sales, branding and market shares of major products, also the promotion of OTC and specialties products
- Further expansion on sales network, especially in the rural areas
- Continue to develop mid to high-end overseas markets

## R&D

- More investment on research and development

## Others

- Capture business opportunities from medical reform



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# Section 6

## Q & A Session

