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The United Laboratories International Holdings Limited

聯邦制藥國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3933)

DISCLOSEABLE TRANSACTION INVESTMENT AND COOPERATION AGREEMENT INVOLVING UNITED LABORATORIES (CHENGDU) LIMITED

THE INVESTMENT AND COOPERATION AGREEMENT

On 7 August 2019 (after trading hours), United Laboratories (Hong Kong) (a wholly-owned subsidiary of the Company) and Evergrande (Chengdu) (an Independent Third Party) entered into the Investment and Cooperation Agreement with respect to the equity interest of United Laboratories (Chengdu) (an indirect wholly-owned subsidiary of the Company) and development of the Land. Pursuant to the Investment and Cooperation Agreement, at a total consideration of RMB1,030,000,000 (subject to adjustments as agreed in the Investment and Cooperation Agreement), (i) Evergrande (Chengdu) has conditionally agreed to subscribe for approximately 67.0% equity interest in United Laboratories (Chengdu) by way of capital injection at the consideration of RMB812,121,200; and (ii) United Laboratories (Hong Kong) has conditionally agreed to transfer, and Evergrande (Chengdu) has conditionally agreed to acquire, the remaining approximately 33.0% equity interest in United Laboratories (Chengdu) at the remaining amount of the consideration.

United Laboratories (Chengdu) currently holds the interest in the Land for development of commercial and residential properties. Upon completion of the Transaction, United laboratories (Chengdu) will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Transaction exceed(s) 5% but is/are all less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement

pursuant to Chapter 14 of the Listing Rules.

As completion of the Transaction is conditional upon satisfaction of the conditions precedent as set out under the section headed “Completion” in this announcement, the Transaction may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

THE INVESTMENT AND COOPERATION AGREEMENT

On 7 August 2019, United Laboratories (Hong Kong) and Evergrande (Chengdu) entered into the Investment and Cooperation Agreement with respect to the equity interest of United Laboratories (Chengdu) and development of the Land. The principal terms of the Investment and Cooperation Agreement are set out as follows:

Date

7 August 2019 (after trading hours)

Parties

- (i) United Laboratories (Hong Kong), a wholly-owned subsidiary of the Company; and
- (ii) Evergrande (Chengdu), an Independent Third Party.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Evergrande (Chengdu) and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

Subject to the terms and conditions of the Investment and Cooperation Agreement, at a total consideration of RMB1,030,000,000 (subject to adjustments as agreed in the Investment and Cooperation Agreement), (i) Evergrande (Chengdu) has conditionally agreed to subscribe for approximately 67.0% equity interest in United Laboratories (Chengdu) by way of capital injection; and (ii) United Laboratories (Hong Kong) has conditionally agreed to transfer, and Evergrande (Chengdu) has conditionally agreed to acquire, the remaining approximately 33.0% equity interest in United Laboratories (Chengdu).

United Laboratories (Chengdu) currently holds the interest in the Land for development of commercial and residential properties. Upon completion of the Transaction, United Laboratories (Chengdu) will cease to be a subsidiary of the Company. Please refer to the paragraphs headed “Information of United Laboratories (Chengdu) and the Land” below for further details of United Laboratories (Chengdu) and the Land.

Consideration and the basis

Pursuant to the Investment and Cooperation Agreement, the total consideration of the Transaction is RMB1,030,000,000, which comprises (i) a sum of RMB812,121,200 for the Capital Injection ; and (ii) the remaining amount of the consideration, subject to adjustments as agreed in the Investment and Cooperation Agreement, as consideration for the Share Transfer.

According to the Investment and Cooperation Agreement, the consideration of the Transaction, subject to adjustment set out below, is payable by Evergrande (Chengdu) and United Laboratories (Chengdu) respectively in the following manner:

- (a) the consideration of the Capital Injection will be payable by Evergrande (Chengdu) to United Laboratories (Chengdu) in seven installments (upon meeting certain conditions and development milestones) within 24 months from the date of the Investment and Cooperation Agreement;
- (b) upon receiving the amount of Capital Injection from Evergrande (Chengdu), United Laboratories (Chengdu) shall repay the entire amount of outstanding advances from United Laboratories (Hong Kong) and other members of the Group to United Laboratories (Chengdu), and the other payables, liabilities, debts and expenses of United Laboratories (Chengdu);
- (c) the consideration will be adjusted with a deduction of (i) RMB50,000,000 if the necessary consents and approvals for the adjustment of plot ratio of the Land is not obtained within the specified period; and (ii) the losses and expenses to be incurred by Evergrande (Chengdu) and/or United Laboratories (Chengdu) if certain existing structures erected on the Land cannot be demolished within the specified period; and
- (d) a portion of the consideration, being an amount of RMB171,500,000, shall be settled by way of United Laboratories (Chengdu) transferring certain commercial properties on the Land to United Laboratories (Hong Kong) within 27 months after the payment of the first installment of the consideration. If such transfer cannot be effected within the specified period, such amount shall be paid in cash.

The total consideration of the Transaction was determined after arm's length negotiations between United Laboratories (Hong Kong) and Evergrande (Chengdu), taking into consideration of (i) the book value of the Land as at 31 December 2018 in an amount of RMB954,147,000 as disclosed in the Company's 2018 annual report under HKFRSs; (ii) the amount of outstanding advances and loans owed by United Laboratories (Chengdu) to United Laboratories (Hong Kong) and other members of the Group; and (iii) payables, liabilities and expenses payable by United Laboratories (Chengdu) to other third parties.

Completion

Completion of the Capital Injection shall be conditional upon Evergrande (Chengdu) being satisfied with the results of the due diligence on United Laboratories (Chengdu) to be completed within one month from the date of the Investment and Cooperation Agreement.

Upon completion of the Capital Injection, the registered capital of United Laboratories (Chengdu) will be increased from RMB400,000,000 to RMB1,212,121,200, and held as to approximately 33% by United Laboratories (Hong Kong) and 67% by Evergrande (Chengdu) respectively. United Laboratories (Chengdu) will cease to be a subsidiary of the Company after the Capital Injection.

Completion of the Share Transfer shall be conditional upon payment of the first to fifth installments by Evergrande (Chengdu). Upon completion of the Share Transfer, the Company will cease to hold any equity interest in United Laboratories (Chengdu).

INFORMATION OF THE GROUP AND UNITED LABORATORIES (HONG KONG)

The Group is principally engaged in the manufacturing and sale of pharmaceutical products in the PRC.

United Laboratories (Hong Kong) is an investment holding company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, which is principally engaged in the manufacturing and sale of pharmaceutical products in Hong Kong. As at the date of this announcement, United Laboratories (Hong Kong) directly owns the entire equity interest in United Laboratories (Chengdu).

INFORMATION OF EVERGRANDE (CHENGDU)

Evergrande (Chengdu) is a subsidiary of China Evergrande Group established in the PRC with limited liability, and is principally engaged in investment holding. China Evergrande Group is principally engaged in real estate development, cultural tourism, healthcare and new energy vehicle businesses.

INFORMATION OF UNITED LABORATORIES (CHENGDU) AND THE LAND

United Laboratories (Chengdu), a company established in the PRC with limited liability, is indirectly wholly-owned by the Company as at the date of this announcement. United Laboratories (Chengdu) is principally engaged in investment holding and holds the interest in the Land. The Land was previously used for operation of the Group's manufacturing plant, which has changed its use to commercial and residential development in 2014 after cessation of operation of the manufacturing plant and the consolidation with the production in Inner Mongolia. Please refer to the announcement of the Company dated 17 March 2014 and the 2018 annual report of the Company for further details of United Laboratories (Chengdu) and the Land.

Set out below is the audited financial information of United Laboratories (Chengdu) (prepared based on Accounting Principles Generally Accepted in the PRC) for the two years ended 31 December 2017 and 2018:

| | For the financial year ended 31 December | |
|-----------------------------------|---|----------------|
| | 2017 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net profit/(loss) before taxation | (7,249.0) | (46,828.3) |
| Net profit/(loss) after taxation | (7,249.0) | (46,828.3) |

According to the audited financial statement of United Laboratories (Chengdu), the net assets value of United Laboratories (Chengdu) as of 31 December 2018 was RMB61,219,799.70 based on Accounting Principles Generally Accepted in the PRC. As disclosed in the Company's 2018 annual report, under HKFRSs, the book value of the Land as at 31 December 2018 was RMB954,147,000.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board considers that the Transaction provides an appropriate opportunity for the Group to realise its investment in the Land held by United Laboratories (Chengdu). In addition, the proceeds from the Transaction will enhance the Company's cash flow position and provide additional capital resources for the Group to develop its existing businesses and capture other business opportunities.

Having regard to the reasons and benefits mentioned above, the Board is of the view that the terms of the Investment and Cooperation Agreement, which have been reached after arm's length negotiations between the parties, are fair and reasonable, and the Transaction is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE TRANSACTION AND USE OF PROCEEDS

Upon completion of the Transaction, United Laboratories (Chengdu) will cease to be a subsidiary of the Company and the financial results of United Laboratories (Chengdu) will no longer be consolidated into the financial statements of the Group.

Based on the total consideration of RMB1,030,000,000, it is estimated that the Group will record an unaudited gain of approximately RMB36,000,000 from the Transaction, which is calculated under HKFRSs and with reference to the difference between (i) the total consideration of the Transaction; and (ii) the net assets value of United Laboratories (Chengdu) as at 30 June 2019 (excluding certain assets and liabilities of United Laboratories (Chengdu)), subject to further audit procedures to be performed by the auditors of the Company. The unaudited gain of the Transaction will be subject to change due to (i) potential change in the fair value of the Land and relevant expenses to be incurred in connection with the Transaction which cannot be estimated at the date of the announcement, and (ii) potential reduction by approximately RMB50,000,000 if certain conditions as set out in paragraph (c) under the section headed "Consideration and the basis" in this announcement cannot be achieved.

The net proceeds to be received by the Group from the Transaction will be applied towards its business of manufacturing and sale of pharmaceutical products and general working capital.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Transaction exceed(s) 5% but is/are all less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

To the best of the Board’s knowledge, information and belief having made all reasonable enquiries, no Director has a material interest in the Transaction, and no Director was required to abstain from voting on the board resolutions approving the Investment and Cooperation Agreement.

As completion of the Transaction is conditional upon satisfaction of the condition precedents as set out under the section headed “Completion” in this announcement, the Transaction may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

| | |
|-----------------------------|---|
| “Board” | the board of Directors |
| “Capital Injection” | the subscription by Evergrande (Chengdu) of approximately 67.0% of the equity interest of United Laboratories (Chengdu) by way of capital injection at the consideration of RMB812,121,200 pursuant to the terms and conditions of the Investment and Cooperation Agreement |
| “Company” | The United Laboratories International Holdings Limited (聯邦制藥國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “Director(s)” | the director(s) of the Company |
| “Evergrande (Chengdu)” | 恒大地產集團成都有限公司 (Evergrande Real Estate Group (Chengdu) Limited), a company established in the PRC with limited liability, which is an Independent Third Party |
| “Group” | the Company and its subsidiaries |
| "HKFRSs" | Hong Kong Financial Reporting Standards |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party” | an independent third party not connected with the Company or its connected persons (as defined in the Listing Rules) |
| “Investment and Cooperation | an agreement dated 7 August 2019 and entered into among United Laboratories (Hong Kong) and Evergrande (Chengdu) in relation to the |

| | |
|-----------------------------------|---|
| “Agreement” | Capital Injection and the Share Transfer |
| “Land” | two parcels of land situated in South Portion of No. 8 Mu Dan Main Road, Pengzhou City, Chengdu City, Sichuan Province, the PRC (中國四川省成都市彭州市牡丹大道南段 8 號) with a total site area of approximately 324,084.985 square meters, excluding approximately 40 acre thereof contributed by United Laboratories (Chengdu) to Pengzhou local government for the construction of an administrative centre |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholders” | registered holders of the Shares from time to time |
| “Share Transfer” | the transfer of 33.0% equity interest in United laboratories (Chengdu) from United Laboratories (Hong Kong) to Evergrande (Chengdu) pursuant to the terms and conditions of the Investment and Cooperation Agreement |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Transaction” | the Capital Injection and the Share Transfer |
| “United Laboratories (Chengdu)” | 聯邦制藥（成都）有限公司 (United Laboratories (Chengdu) Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement |
| “United Laboratories (Hong Kong)” | The United Laboratories Limited (聯邦製葯廠有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, which directly owns the entire equity interest in United Laboratories (Chengdu) as at the date of this announcement |
| “%” | per cent |

By Order of the Board
**The United Laboratories
International Holdings Limited**
Tsoi Hoi Shan
Chairman

Hong Kong, 9 August 2019

As at the date of this announcement, the Board comprises six executive directors, namely Mr. Tsoi Hoi Shan, Mr. Leung Wing Hon, Ms. Choy Siu Chit, Mr. Fang Yu Ping, Ms. Zou Xian Hong and Ms. Zhu Su Yan; and three independent non-executive directors, namely Mr. Chong Peng Oon, Prof. Song Ming and Ms. Fu Xiao Nan.

**For identification purpose only*