

[For Immediate Release]



The United Laboratories International Holdings Limited Recorded a turnaround with profit in 2017 annual results

Sales revenue of recombinant human insulin injection products continued to increase
Insulin glargine promoted sales growth

Financial Highlights

(RMB mn)	For the year ended 31 December		
	2017	2016	Change
Turnover	6,826.6	6,077.9	+12.3%
Gross profit	2,498.2	2,162.6	+15.5%
EBITDA	1,125.5	813.4	+38.4%
Profit/(loss) attributable to shareholders of the Company	81.8	(272.4)	N/A
Earnings (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	N/A

(29 March 2018 – Hong Kong) The United Laboratories International Holdings Limited (“TUL”, the “Company” or the “Group”; Stock code: 3933), one of the leading pharmaceutical product manufacturers in the PRC, announced today its annual results for the year ended 31 December 2017 (the “Year”).

In 2017, the Group’s turnover increased by 12.3% to approximately RMB6,826.6 million. EBITDA rose by 38.4% to approximately RMB1,125.5 million. The Group recorded a turnaround with profit, mainly because of the sales of finished products such as insulin products continued to increase and the profitability of intermediate products and bulk medicine products improved. Profit attributable to owners of the Company was RMB81.8 million (2016: loss attributable to owners of the Company was RMB272.4 million). Basic earnings per share amounted to RMB5.03 cents. The Board recommends payment of final dividend of RMB5 cents per share for the year ended 31 December 2017.

During 2017, Chinese government adopted a number of policies and regulations in medical sector and pharmaceutical industry, which brought opportunities and challenges to the industry. The Group has delivered satisfactory results in operations and profitability under the changing environment. During the Year, the Group continued to run its pharmaceutical production steadily and normally. The production capacity utilisation rate of intermediate products and bulk medicine products, including 6-APA, reached the optimal level, while the production costs improved and product prices went up steadily.

During the Year, the Group's finished products business maintained stable growth and its insulin series continued to be the main driving force of the Group's growth. A total of 12.3 million vials of recombinant human insulin products were sold, which recorded the sales revenue of RMB503 million. Regarding to the newly launched products, in early 2017, the Group obtained a production permit for "United Laboratories USLEN" insulin glargine injection, which was officially launched to the market in May of the Year. The sales of "United Laboratories USLEN" generated revenue of RMB21.9 million. Presently, the Group has won contracts to supply "United Laboratories USLEN" in competitive tenders in 8 provinces, including Fujian, Chongqing, Heilongjiang, Henan, Hebei, Guangdong, Shanxi and Tibet. The Group will also tender for such supply contracts in other provinces.

The Group's antibiotics products recorded satisfactory sales performance in 2017 as well. During the Year, sales revenue of the Piperacillin Sodium and Tazobactam Sodium for Injection amounted to RMB408 million. Sales revenue of The United Laboratories Amoxicillin branded capsules amounted to RMB405 million and sales of the high-end carbapenems antibiotics preparations, including the Imipenem and Cilastatin Sodium for Injection and the Meropenem for Injection continued to grow significantly, generating revenue of RMB118 million. In addition, the drugs for the treatment of Alzheimer's disease-Memantine Hydrochloride series recorded sales revenue of RMB21 million. The Group also sought to increase the sales of OTC products at chain drugstores, enrich the offerings of OTC products, as well as strengthen the cross-regional all-round cooperation with domestic large-scale chain drugstores.

The Group has been committed to research and development for a long time. Presently, the Group has 39 new products under development, 26 successfully registered patents and 15 patents undergoing registration, which can enrich the Group's reserves of pharmaceutical preparations. As for the research and development of biological preparations, the Group aims to further enhance the offerings of insulin products. In November 2017, the Group applied for permits for production of 30 injections, including insulin aspart injection and insulin aspart. At the beginning of 2018, the Group has applied for permit to conduct clinical trials on liraglutide. These will contribute to the treatment of diabetes in near future. The Group is also planning the research and development of chemical pharmaceuticals in the fields such as antidiabetic drugs, anti-cancer drugs, anti-HBV drugs and high-end antibiotics.

The Group attaches great importance to the consistency evaluation of the products' quality and efficacy of generic drugs. Presently, the Group is making smooth progress in the consistency evaluation of its representative products such as amoxicillin capsules. Benefiting from the consistency evaluation, the Group will further consolidate and expand its market share and achieve breakthroughs in the development and sales of amoxicillin.

During the Year, the Group continued to proactively optimize the financial structure to ensure adequate working capital. In March 2017, Zhuhai United Laboratories Co., Ltd, a wholly-owned subsidiary of the Group, issued corporate bonds with the principal amount of RMB1.1 billion for a term of three years (extendable to five years). The proceeds from the issuance will be used for the repayment short-term loans and for working capital purpose. In October 2017, as borrower, the Group entered into a facility agreement with China Development Bank Hong Kong Branch for HKD300 million and HKD200 million (equivalent to Euro 21 million) term loan facility at low financing costs. The loan under the facility will be repaid in full after the expiry of a 36 months term from the first utilization date. As at 31 December 2017, the Group recorded net current assets of RMB 976 million (as at 31 December 2016: net current liabilities of RMB968 million). The current ratio improved continuously from 0.86 as at 31 December 2016 to 1.20 as at 31 December 2017.

Looking forward to 2018, Mr Tsoi Hoi Shan, Chairman of The United Laboratories concluded, “The government is speeding up the process of the reform in pharmaceutical industry to achieve the stable and healthy progress. We believe there is a great development potential in pharmaceutical industry. As a pharmaceutical enterprise which is capable of produce both the second and third-generation insulin products in China, the Group will still attach strategic importance to its insulin product series. In particular, the insulin analogue series represented by insulin glargine will speed up the development of the Group. In the meantime, we are applying for the permit for production of insulin aspart, which can expand the Group’s range of insulin products. Moreover, the Group’s production lines for new finished products will be put into operation in 2018 and are expected to satisfy the market demand for antibiotics products gradually. The Group will keep a close eye on the changes in the competitive pharmaceutical market caused by the policy on the consistency evaluation of generic drugs and accelerate the process of passing consistency evaluation in order to achieve a leading position over the completion.”

“The Group holds an optimistic position on the business performances of intermediate products and bulk medicine due to the stringent environment posed by polices and regulations. The Group will improve the production capacity and lower production cost in order to enhance the profitability. 2018 will be a ‘year of reform’ for the pharmaceutical industry. With continued effort in enhancing the products’ competitiveness and improving research and development capabilities, the Group will be able to capitalize on the transformation, maintain sustainable growth and generate better returns to the shareholders, clients and other stakeholders.” ◦

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Company Information

Listed on the Stock Exchange of Hong Kong in June 2007, TUL is one of the leading pharmaceutical companies in China, principally engaged in the manufacturing and selling of medicines, and the bulk and intermediate products used to produce finished goods. Up to now, the Group has a total of 188 products qualified to produce in the PRC and/or Hong Kong based on the Drug Registration Approvals in the PRC and Certificates of Drug or Product Registration in Hong Kong, 84 were in production. The Group has 49 finished products listed in National Insurance Catalogue and 26 are in the list of the National Essential Drug List. The Group is currently a component of the Hang Seng Composite Index Series.

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