

[For Immediate Release]



The United Laboratories International Holdings Limited Announces 2018 Interim Results

Turnover increased by 13.6% to RMB3,793 million
Adjusted core business profit recorded a significant increase of 487.1% to RMB399.2 million

Financial Highlights

(RMB mn)	For the six months ended 30 June		
	2018	2017	Change
Turnover	3,792.7	3,339.8	13.6%
Gross profit	1,586.6	1,182.4	34.2%
EBITDA	627.4	677.7	(7.4%)
Profit attributable to shareholders of the Company	91.2	109.1	(16.5%)
Adjusted core business profit	399.2	68.0	487.1%
Earnings per share (RMB cents)			
- Basic	5.60	6.71	(16.5%)
- Diluted	5.60	3.31	69.2%

(29 August 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 interim results for the six months ended 30 June 2018 (the “Period”).

For the first half of 2018, the Group’s turnover increased by 13.6% to approximately RMB3,792.7 million. Gross profit increased by 34.2% to RMB1,586.6 million. Profit attributable to shareholders of the Company was RMB91.2 million (1H2017: RMB109.1 million), the drop was mainly attributable to the loss on fair value change of embedded derivative components of convertible bonds. Adjusted core business profit was RMB399.2 million, representing a significant increase of 487.1%. Basic earnings per share amounted to RMB5.60 cents. The board of directors does not recommend the payment of interim dividend for the six months ended 30 June 2018.

During the Period, 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 Period, the Group continued to run its production of intermediate products and bulk medicine products steadily and normally. The production capacity utilization rate of intermediate products and bulk medicine products, including 6-APA, maintained an optimal level, while the product prices went up steadily.

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During the Period, the Group's finished product business maintained a stable growth and its insulin series continued to be the main driving force of the Group's growth. A total of 6.20 million vials of recombinant human insulin products were sold, which recorded sales revenue of RMB251 million. In addition, sales of the "United Laboratories USLEN" insulin glargine injection, which was officially launched to the market in May 2017, generated revenue of RMB29.90 million during the Period, meeting its the sales target. The Group has already won tenders for the supply of insulin glargine products through bidding in 10 provinces, including Fujian, Chongqing, Heilongjiang, Henan, Hebei and Guangdong. The Group will also continue to actively participate in the bidding in other provinces.

The Group's antibiotics products recorded a satisfactory sales performance in the first half of 2018 as well. During the Period, sales revenue of the Piperacillin Sodium and Tazobactam Sodium for Injection amounted to RMB248 million. Sales revenue of The United Laboratories Amoxicillin branded capsules amounted to RMB227 million. In addition, the drugs for the treatment of Alzheimer's disease-Memantine Hydrochloride series recorded sales revenue of RMB17.50 million. The Group also sought to increase the sales of over-the counter ("OTC") products at chain drugstores, enrich the offerings of OTC products, and strengthen the cross-regional all-round cooperation with domestic large-scale chain drugstores.

The Group has been committed to research and development. The Group currently has 38 new products under development, 27 successfully registered patents and 14 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 a permit for production of insulin aspart injection and insulin aspart 30 injection in November 2017 and received relevant acceptance confirmation, and applied for clinical trial for liraglutide injection at the beginning of 2018. In addition, pre-clinical studies had been initiated for insulin degludec, insulin aspart 50 injection, insulin degludec-insulin aspart mixed injection and liraglutide-insulin degludec injection. The above programs are currently progressing well. Based on its established and continuously improved biological research and development platform, it is expected that the Group's products in the pipeline for diabetes and other diseases will become more abundant in the future, which will benefit more patients with diabetes in China. With regard to the research and development of chemical pharmaceuticals, the Group has focused on such product series as antidiabetic drugs, anti-HBV drugs, anti-cancer drugs, eye drops and treatment in dermatology and intends to develop new types of drugs.

The Group attaches great importance to the consistency of quality and efficacy evaluation for generic drugs (the "consistency evaluation"), and thus differentiated itself in the fierce competition. As approved by the China Food and Drug Administration, one of the Group's major antibiotic products the United Laboratories amoxicillin branded capsule (the amoxicillin capsule) (specification: 0.25g) passed the consistency evaluation in April 2018. The cefuroxime axetil tablet (specification: 0.25g) of the Group also passed the consistency evaluation in August 2018. Benefiting from a head start in the consistency evaluation, the Group expects to further expand the market shares of its antibiotic products in different business segments. The above-mentioned approvals also provided a good start for the smooth development of the Group's subsequent consistency evaluation projects. The Group has won a number of awards for its own strengths, among which, the United Laboratories (Inner Mongolia) Limited was recognized as a national high-tech enterprise in the Inner Mongolia Autonomous Region in 2017 and was entitled to preferential policies specific to the high-tech enterprises regarding talent introduction and taxation.

During the Period, the Group continued to enhance its financial condition. The convertible bonds issued by the Group on 5 December 2016 were converted by bondholders in June 2018 with allotment of approximately 12.80 million of ordinary shares. As at 30 June 2018, the Group's net gearing ratio decreased to 47.4%.

Looking forward, Mr. Tsoi Hoi Shan, Chairman of TUL concluded, "The accelerated process of the reform in pharmaceutical industry enacted government policies and an ageing population will bring a new cycle of development to the pharmaceutical industry. The Group will still attach the strategic importance to its insulin product series and will strive for the continued growth in sales of this product series. The Group will boost the sales of insulin glargine products as well. At the same time, the Group will increase investment in research and development to accelerate progress in product research and development and in the consistency evaluation of generic drugs. The Group will also keep monitoring the changes caused by the policies on consistency evaluation in the market in order to take a lead position.

"As the Chinese government continues to step up its environmental measures, the country's market for antibiotic intermediates and bulk medicines will gradually stabilize, and as such, the Group remains optimistic about the prospect of its businesses of intermediate products and bulk medicines in the second half of this year. The Group will continue to improve the capacity utilization rate so as to reduce production cost and further improve the profitability. With the continued effort to enhance the products' competitiveness, the Group is confident in capitalizing on the market opportunities arising from industrial transformation. The Group will foster its capabilities of innovating products and of carrying out research and development so as to ensure the Group's sustainable development, and to maximize the value for its 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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