

[For Immediate Release]



**The United Laboratories International Holdings Limited
Announces 2016 Annual Results**

**Maintained outstanding performance of recombinant human insulin injection products
Gained approval to produce insulin glargine for injection and drive sales in the future**

(23 March 2017 – 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 2016 (the “Year”).

During the Year, the Group’s turnover was approximately HK\$7,063 million (2015: HK\$7,695 million) and EBITDA was approximately HK\$949 million (2015: HK\$1,406 million) respectively. China’s weak economy, continuously declining raw material cost and the wait-and-see attitude about the market demand of products led to a decrease of prices for both intermediate products and bulk medicine products. In addition, production capacity is limited due to the enhancement of environmental protection facilities in factories and hence the product supply decreased. Production cost increased as a result of reduced production, thus the gross profit decreased significantly. The Group recorded a loss attributable to owners of the Company of approximately HK\$311 million (2015: profit attributable to owners HK\$110 million). Loss per share amounted to 19.13 HK cents (2015: earnings per share 6.78 HK cents). The Board does not recommend payment of final dividend for the year ended 31 December 2016.

Mr. Tsoi Hoi Shan, Chairman of TUL, said, “Global economy remained uncertain in 2016 and investors showed concerns. Besides, the strong US dollar and China’s economic slowdown combined to depress the Chinese currency’s value. Against the backdrop of a slowing and volatile economy, the Chinese government made a number of changes to its policy on the country’s pharmaceutical market. The players in the industry moved forward under economic downturn and pressure during this adjustment period.”

The Group’s finished product business segment recorded stable performance. Notably, sales of its insulin and carbapenems products continued to grow considerably. During the Year, sales of the Group’s recombinant human insulin products grew by 56.3% to 11.1 million pieces and contributed approximately HK\$535 million to the revenue. Insulin products remained a major growth driver for the Group and it became the finished product that contributed the most to the Group’s sales revenue for the first time. Up till now, the Group has won the tenders for recombinant human insulin products in more than 20 provinces of the country. It also received purchase orders for the products from the medium-sized and large hospitals, OTC market, essential drug market and rural areas, with remarkable sales performance in Anhui, Shandong, Henan, Guangdong and Jilin provinces. There is also encouraging development for new products. The Group gained approval to produce insulin glargine in two product specifications, namely pre-filled cartridge and disposable injection cartridge, and production and sales of them are expected to start in 2017.

Sales of antibiotics were satisfactory. Revenue from the sales of the Group’s key product Piperacillin Sodium and Tazobactam Sodium for Injection was approximately HK\$451 million during the Year. Besides, revenue from the sales of carbapenems-based high-end antibiotics products, including Imipenem and Cilastatin Sodium for Injection and Meropenem for Injection, continued to grow rapidly and was up by 18.3% to HK\$145 million. The Group will also actively boost sales of OTC drugs at chain stores, enrich the OTC product line and strengthen cross-region cooperation with large pharmacy chains in China.

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The Group has been putting unrelenting effort into the research and development of pharmaceuticals and is currently developing 42 new products. During the Year, the Group was granted nine patents. Up until now, 21 patents have been granted. Its applications for nine patents are currently under review. These developments will help the Group build up a reserve of promising finished products in the pipeline.

As to research and development of bio-pharmaceutical products, the Group's insulin product line will be further enhanced. Currently, the Group's insulin glargine (third-generation insulin) has passed the inspection based on clinical data by China State Food and Drug Administration and obtained the approval for production. Clinical trial of insulin aspart (another third-generation insulin) injection products was completed successfully and the Group is now preparing to apply for the approval for production of such products. TUL is the first China-based generic drug producer to have produced the third-generation insulin detemir, and obtained approval for conducting clinical trials of such product during the Year. At the same time, the Group has been conducting research and development of various bio-pharmaceutical products, including insulin degludec and liraglutide, which will enter the market progressively and benefit more patients with diabetes in China.

As to research and development of chemical-pharmaceutical products, the Group focused on a series of diabetes drugs, anti-cancer drugs, anti-hepatitis B drugs and high-end antibiotics products. The Group obtained approvals to conduct clinical trials of eight drugs during the year, including tadalafil tablets, which is used for treatment of male erectile dysfunction, benign prostatic hyperplasia and pulmonary hypertension; and anti-cancer drugs imatinib mesylate tablets and capsules. The Group will commence the clinical trials progressively.

Apart from it, the 2017 version of Drug Catalogue of National Basic Medical Insurance Scheme reflects the government's policy which can be summarized in its slogan of "Fill the gaps in the market, select the premium products, support innovation, encourage competition". The new catalogue will be conducive to innovations in China's pharmaceutical industry. The new version of the Drug Catalogue of National Basic Medical Insurance Scheme was issued in February of 2017, and 49 types of drugs produced by the Group was included in it. Our unique product for the treatment of senile dementia – oral solutions of memantine hydrochloride, has been classified as western medicine type B for the first time. This is beneficial to the promotion and sales of the product. At the same time, recombinant human insulin has been upgraded to western medicine type A from type B.

As its financial strategy, the Group continued to seize market opportunities to optimize the financial structure during the Year to ensure adequate working capital. As of December 2016, the Group issued US\$130 million worth of convertible bonds with a term of five years. In addition, a wholly-owned subsidiary of the Company, Zhuhai United Laboratories Company Limited, issued the corporate bonds with principal amount of RMB1.1 billion with a term of three years (extendable to five years) in March, 2016. The proceeds from the bond issues will be used for repayment of bank loans and as general working capital.

Looking forward, **Mr. Tsoi** concluded, "The Chinese government is pushing forward with the healthcare system reform and the assessment of the consistency of generic drugs' quality and efficacy, in addition to the launch of the new Drug Catalogue of National Basic Medical Insurance Scheme, all these government measures can lead to healthy development of the pharmaceutical industry in the long term. The Group will take up the challenges posed by this development and will grasp the opportunity. In the future, the Group will actively push forward related work, we will also commit more resources to the marketing, sales and production of the types of products which pass the assessment of consistency of their quality and efficacy, to drive the sales of core products and the types of products which fit into the Group's vertical integration in the first place. With the continuous enrichment of insulin products pipeline, insulin products will remain the key products of the Group. We have become a pharmaceutical enterprise capable to produce the second- and third-generation insulin products in China. The insulin products, of which insulin glargine is representative, will accelerate the development of the Group and will maximize returns to both the Group and its shareholders. The Group will continue to develop drugs that treat diabetes, including insulin aspart, insulin detemir and liraglutide, etc.

Moreover, the Group will endeavour to launch different types and specifications of chemical pharmaceutical products to boost sales and profit. Due to the recovery in the market and improving demand in the fourth quarter of 2016. The Group is optimistic about the business of intermediate products and bulk medicine products in 2017. We will continue to enhance capacity utilization and lower the production cost to improve profitability. With continuous efforts in enhancing our competitiveness, we are confident that we can seize the market opportunities which arise from the industry's transformation and upgrade. The Group will endeavor to enhance its innovation and R&D capabilities and sustain momentum in its sustainable growth to create the highest value for our shareholders, clients and 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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