

Highlights

Chairman's Statement

Chief Executive Officer's Statement

Biographical Details of Directors

Our Business

Chi-Med's aim is to become the leading player in the development of modern, science-based pharmaceutical and consumer products derived from Traditional Chinese Medicine ("TCM") to serve both the Chinese and the global healthcare markets



Drug Research and Development

Through Hutchison MediPharma, Chi-Med researches and develops TCM-derived botanical, semi-synthetic natural product drugs and synthetic single chemical entity drugs for the global and the Chinese pharmaceutical markets. We focus on the oncology and auto-immune therapeutic areas.

China Healthcare

We have three operating joint ventures in the major, fast growing and still highly fragmented China TCM market. They are increasingly strong cash generators. They develop, manufacture and market TCM pharmaceuticals and health supplements both prescription and over-the-counter. We plan to establish further joint ventures in the near future.

Sen

Chi-Med is developing Sen as a quality TCM consumer brand in TCM medicines and treatments, food & beverage, and skin and body care products through its own network of retail stores with the aim also of developing licensing deals with large-scale consumer product companies.

HIGHLIGHTS

- **Sales up 52% to \$57.5 million**

Growth in China Healthcare business.

- **Loss before tax \$8.6 million**

Tight control of R&D spending.

- **\$13 billion Chinese TCM market growth continues strongly**

There are over 1,200 Traditional Chinese Medicine ("TCM") manufacturers across China. Chi-Med intends to consolidate and modernise the market through continued organic out-performance and through selective acquisition.

- **State-of-art R&D facility in full operation**

Chi-Med's purpose built 5,000 square metre R&D facility in Shanghai allows Chi-Med to run a full set of R&D programmes in-house on a cost-effective basis with a team of over 100. It is one of the most advanced pharmaceutical R&D centres in China with all the resources needed for full research capability, including Biology, Chemistry, Drug Safety Evaluation, Drug Metabolism and Pharmacokinetics, and Pharmacology.

- **Growing drug R&D pipeline**

Chi-Med has a library of over 10,000 drug substances which it has isolated from its screening of the herbal origins of TCM and which represent possibilities for the development of new drugs. It has six potential drugs in research, pre-clinical, Phase I or Phase II trials.

- **Phase II Trial result**

The result of Phase II trials in China for Chi-Med's HMPL-004 inflammatory bowel disease drug is expected in Q3 this year.

- **Strategic alliances**

Chi-Med announced key strategic partnerships with Merck of Germany for oncology drug discovery collaboration and with Procter & Gamble for collaboration on skin care targets. These agreements have generated our first research and development revenues, and similar additional agreements are expected in the future.

- **Sen reaches operating profit on a shop level**

We have expanded Sen's product and service portfolio, refined the retail shop format and expanded the London shop chain to five. Each store we now open is profitable at the operating level and we plan seven new shops in central London over the next 12 to 18 months to achieve full bottom-line profitability for the Consumer products business.